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UNITED STATES TARIFF COMMISSION
Washington, D. C.

TRADE AGREEMENT DIGESTS

Volume VIII

SPIRITS, WINES, AND OTHER BEVERAGES

Prepared by the Tariff Commission for use in connection
with trade agreement negotiations

November 1946

List of Volumes in this Series

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SPIRITS, WINES, AND OTHER BEVERAGES

Introduction

This volume contains 21 digests of pertinent information on commodities dutiable under schedule 8 of the Tariff Act of 1930, which have been listed (up to May 9, 1946) by the Trade Agreements Committee for consideration in the proposed trade agreement negotiations with those foreign countries which have been invited to participate in the so-called "nuclear" group. Similar volumes have been or are being prepared by the Tariff Commission on commodities dutiable under other schedules of the tariff act which have been listed for these negotiations. Those products on the free list of the tariff act which are subject to import-excise taxes are treated as dutiable commodities and are covered by digests which appear in the volumes for the tariff schedules to which such products are most nearly related. In addition, a special volume will be issued covering all commodities on the free list, other than those subject to import-excise taxes, which have not been listed for the negotiations.

Schedule 8 covers all beverages, alcoholic and nonalcoholic provided for in the tariff act. All of these with the exception of dessert wines and sake have been listed for consideration in the proposed negotiations, so that the coverage of this schedule by the digests in this volume is complete except for these two items. The imports dealt with accounted for 96 percent of the total value of imports under this schedule in 1939.^{1/}

Generally our imports of beverages have been specialty products commanding considerably higher prices than the nearest comparable article of United States production. Among the beverages are some of the items of greatest importance in our import trade. Thus before World War II Scotch whiskey was preeminent among our imports from the United Kingdom; champagne, still wines, brandy, and vermouth among our imports from France.

United States production of whisky, beer, and carbonated beverages is very large and imports and exports are consequently small relative to our total consumption. Statistics are not available for an accurate comparison but the Tariff Commission has estimated ^{2/} that in 1939 the value of the domestic output of all alcoholic beverages (including distilled spirits, wines, and beer) on a basis fairly comparable with foreign value of imports, was somewhere between 900 million and 1,050 million dollars. In that year the foreign value of imports was 59 million dollars and equivalent therefore to about 6 percent of the value of United States production. These figures do not include internal revenue tax or duties. United States exports of alcoholic and non-alcoholic beverages have been insignificant relative to domestic production and small relative even to imports. In this total value of United States production of alcoholic beverages beer represented about 63 percent and whisky about 27 percent. On a quantity basis imports supplied less than one-fourth of 1 percent of total United States consumption of beer. In 1939, the value of United States production of non-alcoholic beverages exceeded 350 million dollars while the value of imports totaled less than 1/2 million dollars. United States methods of machine mass production are well adapted to turning out beer and soft drinks and these commodities are so bulky that there is considerable advantage in local as compared with long distance distribution.

^{1/} Items which in 1939 accounted for 94 percent of the total value of imports under schedule 8 were subject to reduced rates of duty provided in trade agreements in effect on April 1, 1945.

^{2/} U. S. Tariff Commission, Post-war Imports and Domestic Production of Major Commodities, Sec. 6, Agricultural and Fishery Products and Beverages, p. 833.

The ratio of the duties collected on all imports of commodities in Schedule 8 to the foreign value of such imports was 61 percent in 1937 and 58 percent in 1939. This reduction was due principally to the reduction in duties in the agreements with Canada and the United Kingdom.

Explanatory Notes

The digests presented herein have been kept as brief as possible and contain only the data most pertinent for an understanding of the international competitive situation with respect to the various products. It was obviously impractical to include all the facts pertaining to the many commodities listed for consideration. Supplementing the data given in the digests, and available for use in the negotiations, is the extensive information contained in the files of the Commission and its numerous published reports, as well as the knowledge and experience of its staff.

In many instances, where a number of closely related commodities are listed for consideration, a Summary Digest is given in addition to separate digests on each of the listed items. The Summary Digest gives statistics of production, exports, and imports for the group of related products as a whole, describes the interrelationships among the several products, and discusses general competitive problems. In some cases the Summary Digest covers items which are not listed for consideration in the proposed negotiations. Such unlisted items have been included in order to give a more complete picture of the production and trade in all the related products of an industry; they are not covered by separate digests. Occasionally the statistics of production given in the Summary Digest relate to the product in both unfabricated and fabricated forms, resulting in some duplication. Where duplication is significant, attention is called to that fact.

Most of the digests give statistics of United States production, exports, and imports (total and by principal sources) for the three pre-war years, 1937, 1938, and 1939 and for one war year, 1943. In the case of some commodities the statistics cover a much longer period. Where statistics of production or of exports of a particular commodity are not available, estimated figures, or some other indication of the relative importance of production and exports as compared with imports are given when possible. Frequently a digest covers more than one statistical import class. In such cases, if the imports are significant, a supplementary table is given, showing for 1939, or some other representative prewar year, statistics of United States imports by individual statistical class, by principal country of origin. Where exports under Lend-lease are substantial, as well as where imports free for government use or as an act of international courtesy or free under special provisions of the Tariff Act of 1930 are substantial, they are indicated in footnotes to the tables.

Import values are in practically all cases foreign values, i.e., they do not include duties, transportation costs, and certain other charges incident to the shipment of products from the foreign country to the United States. These values, therefore, are not strictly comparable with the values shown for United States production (which are usually the sales value of the product at the plant) or for exports (which represent the actual selling price including inland freight and other charges to the port of exportation).

The countries which are the principal sources of imports are generally listed in the table in the order of the magnitude (by value) of their imports in 1939; and names of the proposed negotiating countries are shown in capital letters.

The digests show for each item the rate of duty provided in the Tariff Act of 1930 and the 1945 (January 1) rate. Changes in the duty since the act of 1930 became effective are shown in detail in footnotes. When it is significant, the ad valorem equivalent (or the specific equivalent) of each rate of duty is given in a general note following the section on tariff rates.

In the case of many of the schedules, rates of duty on certain commodities were reduced by the trade agreements with the United Kingdom and Canada effective January 1, 1939. The economic conditions in these countries and throughout the world were so disturbed in 1939, as the result of preparations for and actual outbreak of war, that the statistics of United States imports for that year cannot be taken as indicating what would have been the effects of these duty reductions under peacetime conditions; the import data for the war years are still less indicative of what would have been those effects.

WHISKY, GIN, RUM, AND BRANDY (SUMMARY DIGEST)
 (See separate digests which follow on the principal groups
 of products under this classification)

Stat. import classes (1939): 1711.0, 1712.0, 1714.2, 1714.5, 1715.2, 1715.3,
 1715.5

United States production, imports, exports, and apparent consumption,
 1935-44

Year	Production 1/	Imports		Domestic exports	Apparent consumption	Imports to consumption	Ratio of consumption
		for consumption	1,000 pf. gal.				Percent
1935	84,019	6,835	n.a.		90,854		7.5
1936	104,341	14,646	14		118,973		12.3
1937	109,356	15,682	47		124,991		12.5
1938	105,987	11,444	62		117,369		9.8
1939	114,796	11,082	250		125,628		8.8
1940	123,876	10,950	196		134,630		8.1
1941	137,226	11,076	87		148,215		7.5
1942	147,452	10,682	234		157,900		6.8
1943	106,932	23,288	241		129,979		17.9
1944	126,134	21,416	393		147,157		14.6

1/ Total of production shown in individual digests.

Source: Production from official statistics of the U. S. Treasury Department; imports and exports from official statistics of the U. S. Department of Commerce.

Item	United States tariff		Proposed negotiating country
	Act of 1930	1945 rate Per proof gallon	
Par. 802			
Brandy	\$5.00	1/ \$2.50	FRANCE
Gin	5.00	2/ 2.50	UNITED KINGDOM, NETHERLANDS
Rum in bottles:			
Product of Cuba	4.00	3/ 2.00	CUBA
Other	5.00	4/ 2.50	UNITED KINGDOM (Br. W. Indies)
Rum in containers holding more than 1 gallon:			
Product of Cuba	4.00	5/ 2.00	CUBA
Other	5.00	6/ 2.50	UNITED KINGDOM (Br. W. Indies), FRANCE
Whisky:			
Aged in wooden containers, 4 years or more.	5.00	7/ 2.50	CANADA, UNITED KINGDOM
Other	5.00	6/ 2.50	do.

1/ Trade agreements with France, effective June 1936 and with Argentina, effective 1941.

2/ Trade agreements with the Netherlands, effective February 1936, and the United Kingdom, effective January 1939.

3/ Trade agreements with Cuba, effective September 1934 (from \$4.00 to \$2.50) and effective June 1935 (from \$2.50 to \$2.00) resulting from change in general rate pursuant to trade agreement with Haiti.

4/ Trade agreements with Haiti, effective June 1935, and the United Kingdom, effective January 1939.

5/ Reduction resulted from the change in the general rate pursuant to trade agreement with Mexico.

6/ Trade agreement with Mexico, effective January 1943.

7/ Trade agreements with Canada, effective January 1936 and January 1939, and with the United Kingdom, effective January 1939.

WHISKY, GIN, RUM, AND BRANDY (SUMMARY DIGEST)--Continued

Comment

During the years 1937-39, the total apparent consumption of the distilled beverages here considered (which comprise nearly all of the distilled beverages consumed in the United States) averaged 123 million proof gallons annually. The term "proof" refers to the alcoholic strength of the beverage; a "proof gallon," as used in the tariff and tax laws, means a gallon of beverage of 100 proof or 50 percent alcohol by volume. Inasmuch as most bottled distilled beverages are below 100 percent proof (frequently around 86), the actual number of gallons consumed was considerably more than 123 million and exceeded 1 gallon per capita. Whisky, much the most important of these beverages, accounted for 80 to 85 percent of the total consumption; gin represented about 10 percent; rum and brandy together made up the remainder. The distilling of beverages is well adapted to traditional United States methods of production, since it involves the utilization of a relatively large amount of equipment and relatively little labor. This country possesses ample distilling facilities and, under normal conditions, has plentiful supplies of the most important of the raw materials and packaging supplies needed.

At the outbreak of World War II, the post-repeal distilled beverage industry in the United States was less than 6 years old. Although large supplies of domestic immature spirits were on hand, the supplies of domestic mature, aged beverages had not, up to that time, been adequate. A considerable, though a decreasing, part of total consumption had been supplied by imports.

During the war the demand for distilled beverages increased tremendously. Apparent consumption increased to 158 million proof gallons in 1942. Subsequently, as a result of the Government's industrial alcohol program, the distillation of whisky and beverage alcohol was discontinued between October 8, 1942, and August 1945, except during the so-called holiday months of August 1944 and January 1945. There was an increase in production of brandy in continental United States and of rum in Puerto Rico and the Virgin Islands, but the combined production of all distilled beverages was nearly 30 percent less in 1943 than in 1942. Although the importation, from the Caribbean areas and Mexico, of gin, rum, and beverage neutral spirits derived from cane products increased sharply, a large part of the current consumption of distilled beverages had to come from accumulated domestic stocks of aged and aging spirits. This relative scarcity of supplies combined with the increased demand, and much higher internal revenue taxes, which were increased from \$2.25 per proof gallon (\$2.00 on brandy) as of July 1, 1938, to \$9.00 as of April 1, 1944, tended to cause prices to increase sharply.

Although war restrictions on the distillation of whisky and neutral spirits were removed as of September 1945, actual distillation has continued to be sharply limited by the lack of available grains. At the present time, July 1946, whisky distillers are allowed only enough grain for 3 days' operation per month, or one-tenth of capacity. Because of the present low stocks of distilled beverages and the necessity for aging most of them for 3 or 4 years, the supplies of mature beverages will be low relative to demand for a considerable period even after full-scale distilling is resumed.

Except during the immediate post-repeal period, when imports consisted largely of mature beverages for blending with immature domestic spirits, and during World War II, when the quality of the imports was a secondary consideration, imports have consisted, generally speaking, of special or distinctive types of beverages, generally higher in prestige and price than the bulk of similar domestic beverages. The special character of most of the imports resulted in large part from differences in raw materials and methods of production and aging. Whereas domestic distilled beverages are almost without exception produced in continuous stills, most of the imports are produced, at least in part, in pot stills, with more labor, more care in blending, and usually longer aging than is ordinarily given to the bulk of the domestic products.

WHISKY, GIN, RUM, AND BRANDY (SUMMARY DIGEST)--Continued

The full-duty rate on imports of whisky, gin, rum, and brandy is \$2.50 per proof gallon, and the preferential rate on products of Cuba is \$2.00 per proof gallon. In 1939 the ad valorem equivalent of the full duty was as follows: On whisky, 59 percent; on gin, 91 percent; on rum, 72 percent; and on brandy, 56 percent. Normally Cuba is an important source of imports of rum only. The ad valorem equivalent of the \$2.00 rate on Cuban rum was 40 percent in 1939.

During the next 4 or 5 years the supplies of mature distilled beverages of domestic origin will be scarce relative to the demand for them. Foreign supplies of high-grade Scotch and Canadian whisky will be very limited, and French cognac may not be obtainable in large quantities; consequently imports probably will continue to consist of a larger proportion of ordinary grades of gin, rum, and brandy than before the war.

After the postwar readjustment, both domestic and foreign supplies of mature spirits will presumably be ample. Several factors may have more influence upon the consumption and importation of distilled beverages than the duty; for example, the degree of national prosperity, internal revenue taxes, price levels, the trend of local prohibition sentiment, and the policies and developments within the domestic industries. It may be expected, however, in view of the strong competitive position of the domestic industry in the production of distilled beverages of good standard quality, that imports will again consist, as in the immediate prewar period, mostly of special and distinctive types, commanding higher prices than the bulk of the domestic products.

BRANDY

Stat. import class (1939): 1711.0

United States production, exports, and imports, 1937-39 and 1943

Year	Pro- duction 1/	Domestic exports	Imports for consumption from--				
			All countries	FRANCE	Spain	Germany 2/	Greece
Quantity (1,000 proof gallons)							
1937	1,930	3/	738	670	24	7	32
1938	1,587	3/	666	617	29	6	9
1939	1,630	n.a.	770	743	11	6	5
1943	5,645	n.a.	4/ 1,295	42	331	3/	1
Value (1,000 dollars)							
1937	Not avail- able	1	4,176	3,907	81	27	141
1938		1	3,236	3,080	75	21	41
1939		n.a.	3,439	3,343	43	20	19
1943		n.a.	4/ 4,365	166	1,519	3/	3

1/ Beverage brandy only. Tax-paid withdrawals plus exports, calendar years.

2/ Includes Austria beginning 1938.

3/ Less than 500.

4/ Includes 839 thousand proof gallons valued at 2,421 thousand dollars imported from Portugal.

Source: Production from Allied Liquor Industries, Inc., "Beverage Distilling Industry Facts and Figures, 1934-44," p. 39; exports and imports from official statistics of the U. S. Department of Commerce.

Par. 802	Item	United States tariff			Proposed negotiating country	
		Act of 1930	1945			
			rate	Per proof gallon		
	Brandy		\$5.00	4/ \$2.50	FRANCE	
1/ Trade Agreements with France, effective June 1936 and with Argentina, effective November 1941.						

Note.— The duty on full-duty imports was equivalent to 56 percent ad valorem in 1939 and to 74 percent ad valorem in 1943.

Comment

In the United States 85 to 90 percent of all brandy is made from grapes, including raisins, and 95 percent or more of the total is produced in California. Brandy is of two types, beverage and high-proof, the latter (distilled at 180 to 190 proof and therefore almost neutral) being used to "fortify" or raise the alcohol content of dessert wine. Although high-proof brandy constitutes the bulk of domestic production, beverage brandy makes up all of the imports. The "production" shown above is tax-paid withdrawals for beverage, and hence is comparable with imports.

The production and consumption of beverage brandy in the United States remained relatively unimportant up to World War II. With the exception of the fairly large distillation in 1938 of 9 million proof gallons, distillation after repeal ranged from about 2 to 2.5 million proof gallons. During the war, however, the distillation of beverage brandy rose from 4 million proof gallons in the vintage year 1941-42 to 6 million in 1944-45.

BRANDY--Continued

In 1935, under the duty of \$5 per proof gallon, imports amounted to 444,000 proof gallons, and had a foreign value of \$6.07 per proof gallon. During 1937-39, under the \$2.50 rate, the imports averaged 725,000 proof gallons, and the average foreign unit value declined from \$5.66 in 1936 to \$4.47 in 1939. In 1943, with the shift in the sources of imports brought about by the war, the foreign value per proof gallon was \$3.37.

In the prewar period 90 to 95 percent of the imports came from France and consisted mostly of the famous French cognac, which is produced only in the vicinity of Cognac, near the western coast of France. After the fall of France imports from Portugal and Spain increased rapidly. During 1942-44 Portugal supplied about twice as much as Spain, the next most important source; and during 1943-44 those two countries supplied 90 to 96 percent of the total imports. The Portuguese brandy has been substantially lower in quality and in foreign unit value than the brandy formerly imported from France.

The recent increase in the production and consumption of beverage brandy resulted from the wartime liquor shortage and the high level of consumer demand. When the supply of high-grade mature whisky again becomes adequate, the demand for brandy will very likely be less than the wartime peak, although it may remain above the prewar level.

United States beverage brandy differs from cognac in method of production, characteristics, and price. It is produced in continuous stills, and is a standardized rather than a specialized product. Cognac is produced in pot stills, contains a relatively high proportion of flavoring esters, is carefully blended, and the better grades are aged 5 or more years.

Imported brandy competes with other liquors in this country to a greater extent than with domestic brandy. Cognac, which may be expected again to predominate in imports, competes with the highest-grade imported and domestic whiskys and liqueurs. The distinctive brandies of Spain, which probably will continue to enter in limited quantities, compete with imported and domestic whiskys, as well as with domestic brandies.

Stat. import class (1939): 1712.0

United States production, exports, and imports, 1937-39 and 1943

Year	Production	Domestic exports	Imports for consumption from			
			All countries	UNITED KINGDOM	NETHERLANDS	Germany 1/
Quantity (1,000 proof gallons)						
1937 ---	14,732	3	70	54	11	1
1938 ---	13,159	5	62	50	9	1
1939 ---	13,237	n.a.	72	61	9	1
1943 ---	856	n.a.	2/ 7,128	52	-	-
Value (1,000 dollars)						
1937 ---	Not avail-	6	228	188	28	4
1938 ---	able	7	190	160	24	2
1939 ---		n.a.	2/ 193	173	16	2
1943 ---		n.a.	2/ 10,979	143	-	-

1/ Includes Austria beginning 1938.

2/ Includes 5,984 thousand proof gallons valued at 8,480 thousand dollars imported from Cuba; also 927 thousand proof gallons valued at 1,980 thousand dollars imported from Mexico.

Source: Production from Allied Liquor Industries, Inc., "Beverage Distilling Industry Facts and Figures, 1934-44"; exports and imports from official statistics of the U. S. Department of Commerce.

Par. 802	Item	United States tariff		Proposed negotiating country
		Act of 1930	1945 rate	
		Per proof gallon	1/ \$2.50	
Par. 802	Gin	\$5	1/ \$2.50	UNITED KINGDOM, NETHERLANDS

1/ Trade agreements with the Netherlands, effective February 1936, and the United Kingdom, effective January 1939.

Note.- The duty on full-duty imports was equivalent to 91 percent ad valorem in 1939 and to 115 percent in 1943. (The ad valorem equivalent of the \$2 per proof gallon rate on the very large imports of low-priced gin from Cuba in 1943 was 141 percent.)

Comment

Gin is of two types, distilled gin and compound gin, the former amounting to about 95 percent of the total production in the United States. In making distilled gin the flavoring materials are incorporated in the alcohol by distilling them together, or by redistilling neutral spirits containing the flavoring materials. Compound gin, a lower-grade type, is made by mixing the neutral spirits with distilled gin, gin essence, or other flavoring substances. Spirits made from grain are preferred for gin. Unlike most other distilled beverages, gin does not require aging.

Gin is not exported from the United States except for occasional negligible quantities, and imports normally amount to only about one-half of 1 percent of domestic production. The extraordinarily high imports during the later war years, resulting from the shortage of distilled beverages in this country relative to the demand for them, consisted mostly of low-priced goods from Mexico and Cuba. The small quantities imported before the war consisted principally of London dry gin, from the United Kingdom, and Holland gin from the Netherlands. The retail prices

GIN-Continued

of the English and Holland products averaged at least twice those of domestic gin, indicating that their special quality was the primary reason for their importation.

The great decline in production during the war resulted from the Government's industrial alcohol program and, in spite of the concurrent great increase in the imports, caused consumption to decline about 50 percent, or from about 15 million wine gallons in the calendar year 1941 to about 7 million in 1944.

Until adequate supplies of mature whisky become available, or not before 1949 or 1950, the demand for gin for substitution for other liquors is likely to be greater than in the prewar period. Assuming that sufficient domestic neutral spirits will be available, most of this demand will be supplied with domestic gin, as in the prewar period. Probably in no other country can gin be produced from grain spirits at appreciably lower cost than in the United States.

Stat. import classes (1939): 1714.2 and 1714.5

United States production, exports, and imports, 1937-39 and 1943

Year	Production ¹	Domestic exports	Imports for consumption from--				
			All countries	CUBA	JAMAICA	Philippine Islands ²	FRANCE
Quantity (1,000 proof gallons)							
1937	3,359	11	510	304	114	40	8
1938	2,988	17	395	193	98	52	12
1939	3,533	29	394	175	118	53	14
1943	9,614	5	3/ 5,387	4,114	442	-	2
Value (1,000 dollars)							
1937	Not available	9	2,271	1,601	479	67	27
1938		15	1,564	1,001	376	68	36
1939		43	1,510	905	430	64	48
1943		17	3/12,296	9,339	1,981	-	6

¹/ Includes distillation in continental United States and shipments to the mainland from Puerto Rico and the Virgin Islands. ²/ Duty-free.

³/ Includes 691 thousand proof gallons, valued at 624 thousand dollars, imported from FRENCH WEST INDIES.

Sources: Production from official statistics of the U. S. Treasury Department, except as noted; shipments, exports, and imports from official statistics of the U. S. Department of Commerce.

Item	United States tariff		Proposed negotiating country
	Act of 1930	1945 rate	
	Per proof gallon		
Par. 802			
Rum in bottles:			
Product of Cuba -----	\$4	1/ \$2.00	CUBA
Other -----	5	2/ 2.50	UNITED KINGDOM (Br. W. Indies)
Rum in containers holding more than 1 gallon:			
Product of Cuba -----	4	3/ 2.00	CUBA
Other -----	5	4/ 2.50	UNITED KINGDOM (Br. W. Indies), FRANCE

¹/ Trade agreements with Cuba, effective September 1934 (from \$4.00 to \$2.50) and effective June 1935 (from \$2.50 to \$2.00) resulting from change in general rate pursuant to trade agreement with Haiti.

²/ Trade agreements with Haiti, effective June 1935, and the United Kingdom, effective January 1939.

³/ Reduction resulted from the change in the general rate pursuant to trade agreement with Mexico.

⁴/ Trade agreement with Mexico, effective January 1943.

Note.- The duty on imports from Cuba was equivalent to 38 percent ad valorem in 1939 and 88 percent ad valorem in 1943; the duty on imports from countries other than Cuba was equivalent to 71 percent ad valorem in 1939 and to 107 percent ad valorem in 1943.

RUM--Continued

Comment

Rum is distilled from fermented sugarcane products, principally blackstrap molasses and cane juice, but any cane products which contain sugar may be used. The characteristics, quality, and price of different brands vary greatly, depending upon the raw material used, the methods of production (particularly the care exercised in distilling, blending, and flavoring) and the length of time the product is aged. The production of rum is a very old industry in Massachusetts and formerly substantial quantities were exported from that area. Massachusetts still produces approximately one-half the output of continental United States; Kentucky produces most of the remainder.

During the war the production of rum in continental United States remained practically stationary, whereas production in Puerto Rico and the Virgin Islands increased enormously. Of the total output of 9.6 million proof gallons in 1943 Puerto Rico produced 5.6 million, the Virgin Islands, 1.7 million, and continental United States, 2.3 million. Practically all of the Puerto Rican and Virgin Island rum is used for beverage. Of the rum produced in continental United States, on the other hand, ordinarily only about 20 percent is withdrawn for beverage, the remainder being used mostly in the tobacco industry. Tax-paid withdrawals of continental rum for beverage purposes averaged only 507,000 proof gallons for the three calendar years 1937-39. During the war, however, on account of the shortage of alcoholic beverages, the withdrawals of continental rum for beverage purposes increased sharply, amounting in 1943 to 1.3 million proof gallons out of the total continental production of 2.3 million proof gallons.

As a result of the higher duty on bulk than on bottled rum before the Mexican trade agreement, most of the imports entered in bottles. Following the reduction of the tariff on rum in bulk, however, imports in barrels or casks increased 100-fold--from 42,000 proof gallons in 1942 to 4 million proof gallons in 1943. Imports of bottled rum also increased, but the increase was much smaller, from 371,000 proof gallons in 1942 to 1,387,000 in 1943. The great influx of bulk rum was of low quality, as indicated by its average foreign value, which was only about \$1.60 per proof gallon, as compared with about \$4.20 per proof gallon for the rum imported in bottles in the same period.

In view of the prospective limited supply of mature whisky for the next 3 to 6 years, the consumption of rum will probably remain considerably above the prewar figures for some time, and both domestic production, particularly that in Puerto Rico, and imports probably will be considerably above their prewar levels. It does not appear likely, however, that in the long-term postwar period either domestic production or imports will remain at the high levels reached during the war period.

United States imports for consumption, by kind, with principal sources,
1939 and 1943

Kind	Year	Total value	Principal sources
Rum in bottles ----	1939	\$1,467,757	CUBA, \$904,416; JAMAICA, \$428,834
	1943	5,811,589	CUBA, \$4,003,108; JAMAICA, \$1,645,161
Rum, n.e.s. -----	1939	42,630	Philippine Islands, \$36,334
	1943	6,484,274	CUBA, \$5,340,464; FRENCH WEST INDIES, \$617,706; JAMAICA, \$336,282

Source: Official statistics of the U. S. Department of Commerce.

Stat. import classes (1939): 1715.2, 1715.3, and 1715.5

United States production, exports, and imports, 1937-39 and 1943

Year	Production ^{1/}	Domestic exports	Imports for consumption from--				
			All countries	UNITED KINGDOM	CANADA	Ireland	Mexico
Quantity (1,000 proof gallons)							
1937	89,335	33	14,364	6,782	7,403	116	5
1938	88,253	40	10,321	6,662	3,556	66	1
1939	96,396	221	9,846	7,629	2,096	76	-
1943	90,817	236	9,478	6,650	2,642	59	43
Value (1,000 dollars)							
1937	Not avail-	139	53,970	32,000	21,306	429	25
1938	able	139	42,786	31,775	10,581	289	5
1939		610	41,543	33,847	7,252	293	-
1943		1,156	41,144	31,472	9,085	238	118

^{1/} Tax-paid withdrawals plus increase by rectification (i.e., whisky produced by rectification minus whisky used in rectification), plus exports, calendar years.

Source: Production, Allied Liquor Industry, Inc., "Beverage Distilling Industry Facts and Figures, 1934-44", p.78; exports and imports from official statistics of the U. S. Department of Commerce.

Par. 802	Item	United States tariff		Proposed negotiating country
		Act of 1930	1945 rate	
		Per proof gallon		
	Aged in wooden containers,			
	4 years or more -----	\$5.00	1/ \$2.50	CANADA, UNITED KINGDOM
	Other -----	5.00	2/ 2.50	CANADA, UNITED KINGDOM

^{1/} Trade agreements with Canada, effective January 1936 and January 1939, and with the United Kingdom, effective January 1939.

^{2/} Trade agreement with Mexico, effective January 1943.

Note.- The duty on full-duty imports was equivalent to 59 percent in 1939 and to 57 percent in 1943. (Imports of whisky, n.e.s., have been negligible and have not, therefore, had any influence on the ad valorem equivalent of total imports.)

Comment

The apparent annual consumption of legal whisky, domestic and imported, in the United States averaged about 105 million proof gallons during 1937-39 and about 125 million proof gallons during 1940-42. Present (1946) whisky-distilling capacity is estimated at about 440 million proof gallons annually. Because of the Government's industrial alcohol program, the actual distillation of whisky in this country, which had been 135 million proof gallons in 1941, declined to 77 million in 1942, none in 1943, and only 14 million proof gallons in 1944. Thus most of the whisky sold since October 1942 has come out of stock. United States stocks of whisky, normally about 4 times as much as the annual consumption, declined from 517 million proof gallons (original entry gage) as of June 30, 1942, to 307 million as of June 30, 1945. To conserve declining supplies of mature whisky, spirit blends, usually consisting of 25 to 35 percent straight whisky and the remainder neutral spirits, have been used to an increasing extent. Of the domestic production reported in the table above, blended whisky made up 37 percent in the prewar years and 60 percent in 1943. The corresponding figure for 1944 was 75 percent. These percentages include blends of straight whisky as well as blends of whisky and neutral spirits, although the latter predominate.

WHISKY--Continued

The imports of whisky are among the most important of all dutiable United States imports; in both 1936 and 1937 the foreign value of whisky imports exceeded 50 million dollars. From the repeal of prohibition (December 1933) through 1937 the imports from Canada, mostly American-type bourbon and rye, exceeded those from the United Kingdom; but since 1937 the United Kingdom has supplied approximately three-fourths and Canada one-fourth of the imports. On the basis of quantity, imports supplied 16 percent of the apparent domestic consumption in 1937, 12 percent in 1938, and 10 percent in 1939 and 1943. In recent years nearly all of the imports have entered in bottles, ready for consumption; imports in barrels or casks have not been important during the past decade.

The distillation of whisky in this country will undoubtedly be resumed at maximum capacity as soon as sufficient grain is available for this purpose which, according to present indications, will not be before the 1946 grain crops are harvested. Mature domestic whisky will necessarily remain in short supply until 1949 or 1950. Whisky stocks in the United Kingdom (mostly Scotch) will be short for an even longer period. Distillation there, as in the United States, has not yet been resumed on a substantial scale, because of grain shortages; besides, Scotch is ordinarily aged longer than is American whisky, i.e., from 4 to 8 years. The March 31 stocks of spirits in United Kingdom bonded warehouses--mainly Scotch and Northern Ireland whisky--are reported to have declined from 158 million original imperial proof gallons in 1939 to approximately 85 million in 1945. Definite information regarding the quantities of Canadian whisky which may be available for export to the United States in the immediate postwar period is not available. As in the United States, distillation of whisky in Canada was discontinued between November 1942 and August 1945, except for two periods of a month each. But for the first 3½ years of the war (March 31, 1939, to November 1942) Canadian distillation of spirits--mostly whisky--exceeded the preceding three-year annual average by approximately 50 percent. It appears likely, therefore, that the quantities of Canadian whisky available for export to the United States in the immediate post-war period may exceed, perhaps substantially, the 2 to 3 million proof gallons which that country supplied during the years 1938 to 1944; and that the imports from Canada may again, as during the first four years after repeal, consist substantially of mature whisky in bulk for blending in this country with neutral spirits or with immature domestic whisky. At the present time (August 1946) whisky-distilling in Canada is still limited by shortages of grain.

Before prohibition, the duty on whisky was \$2.60 per proof gallon, but the imports were not subject to the United States internal revenue tax, which was \$1.10 per proof gallon at that time; consequently the effective protection to domestic producers was only \$1.50 per proof gallon. United States imports during the period 1910-17 averaged about 1.5 million proof gallons annually. During 1934 and 1935, the first two years after repeal, imports, subject to the duty of \$5.00 per proof gallon and the internal revenue tax of \$2.00 per proof gallon, averaged 5.7 million proof gallons, with a foreign value of \$4.50 to \$5.00 per proof gallon. In 1936, subject to the \$2.50 per proof gallon duty and the \$2.00 per proof gallon internal revenue tax, they amounted to 13 million gallons, valued at 56 million dollars. Under this rate the average annual foreign unit value ranged from \$3.75 to \$4.25 per proof gallon during the prewar years, and was \$4.35 in 1943. Normally the foreign unit value has been substantially higher on Scotch than on Canadian whisky, but the retail prices of Canadian whisky has been higher and of Scotch substantially higher than those of the bulk of domestic whisky.

Approximately 40 percent of the whisky-distilling in the United States, and about 55 percent of the bottling, is controlled by the so-called Big Four distillers and their subsidiaries, the National Distillers Products Corporation, the Schenley Distilling Corporation, Distillers Corporation-Seagrams, Ltd., and Hiram Walker--Goderham & Worts, Ltd. These companies are not only engaged in all phases of the United States whisky industry, but also in the importation of liquors into this country. Two of them are Canadian firms, and all of them are engaged in whisky-production in the United Kingdom or in Canada. Their interests with respect to United States tariff rates are somewhat different from those of the purely domestic firms.

WHISKY--Continued

Under present duties, the competitive impact of imports on domestic producers varies with the grade of the domestic product; the higher the grade of the domestic brand, the greater the competition of the high-priced foreign brands. An attractive market in the United States and the desire (particularly of the United Kingdom) to obtain dollar exchange will be factors tending to encourage increased shipments to the United States.

CORDIALS
(CORDIALS, LIQUEURS, KIRSCHWAFFER AND RATAFIA)

Stat. import class (1939): 1718.1

United States production, exports, and imports, 1937-39 and 1943

Year	Pro- duction 1/	Domestic exports	Imports for consumption from--				
			All countries	FRANCE	Greece	Nether- lands	United Kingdom
Quantity (1,000 Proof gallons) 2/							
1937	3,333	Not avail- able	300	185	9	12	9
1938	2,191		270	156	20	12	6
1939	2,246		301	175	28	13	9
1943	3,567		3784	6	5	4	2
Value (1,000 dollars) 3/							
1937	Not avail- able	Not avail- able	1,485	1,042	36	86	53
1938			1,351	912	91	70	54
1939			1,528	1,029	131	73	71
1943			3,307	29	25	4	15

1/ In Continental United States only. Production in Puerto Rico is not available, but shipments from Puerto Rico to the United States in 1943 amounted to 102 thousand proof gallons, valued at 497 thousand dollars.

2/ For imports the quantities, although reported as proof gallons, are really wine gallons, since most of the imports enter in bottles at below proof.

3/ Includes 26 thousand proof gallons valued at 115 thousand dollars from Argentina, 24 thousand proof gallons, valued at 77 thousand dollars from Mexico, and 8 thousand proof gallons, valued at 13 thousand dollars from Cuba.

4/ Less than 500.

Source: Production; Allied Liquor Industries, Inc., Beverage Distilling Industry Facts and Figures, 1934-44, p. 59; imports from official statistics of the U. S. Department of Commerce.

Item	United States tariff			Proposed negotiating country	
	Act of 1930	1945			
		rate	Per proof gallon		
Par. 802					
Cordials and liqueurs	-----	\$5	1/ \$2.50	FRANCE	

1/ Trade agreement with France, effective June 1936 and with Argentina, effective November 1941.

Note.- The duty on total imports was equivalent to 50 percent ad valorem in 1939 and 64 percent ad valorem in 1943.

Comment

The better grades of cordials and liqueurs, in addition to having a good spirit base, are produced by redistilling the spirit with the flavoring materials or by the so-called infusion method--by steeping the fruits or other flavoring materials in the base. In addition, they are usually stored for some months before they are marketed. The lower-grade products are made by simply mixing sugar and flavoring essences in neutral spirits or in low-priced gin or rum, and are marketed at once. Cordials and liqueurs are usually of low proof--60 to 70--although there are many of higher proof, even up to 100 or more.

CORDIALS--Continued

Although these products have been used extensively in Europe for generations, they have not heretofore been important in United States consumption. Before World War I imports averaged about 400,000 proof gallons annually, over a duty of \$2.60 per proof gallon. Statistics of domestic production in this period are not available but it is known that, after the repeal of prohibition and before properly aged whiskey was available, low-grade cordials and liqueurs were produced. In most instances these proved disappointing to consumers, and consumption remained low. As a result of the general shortage of alcoholic beverages during World War II, however, domestic consumption approximately doubled, reaching 5 million proof gallons in 1944.

Although the quality of cordials and liqueurs produced in the United States undoubtedly has been improving, a large part of the domestic product was not comparable with the high-grade specialty products which before World War II made up the bulk of the imports. Of imports valued at \$314,595 entering at the New York Customs District during the second half of 1938, about 75 percent was accounted for by the high-priced specialties benedictine, drambuie, metaxa, grand mariner, cointreau, and chartreuse (named in order of value). The retail prices of such specialties were approximately three times those of the bulk of the domestic products. In October 1939 the Virginia State Stores quoted benedictine, yellow chartreuse, and cointreau at \$4.65, \$4.30, and \$4.15, respectively, per 4/5 quart, whereas the highest-priced of the several domestic cordial-liqueurs quoted was 95 cents per 4/5 pint. Generations of skill and pride of product have gone into the development of the European specialties. It is reported that several European cordial makers established branch plants in the United States, where their equipment, formulas, and processes are practically identical with those of the home plants. In general, however, the processes and techniques followed in Europe involve more labor and more personal skill than do American methods. Reports from trade sources indicate that only a small part of United States cordials is produced by redistillation.

During World War II the imports have been of considerably lower grade than formerly. The average foreign value of the imports from France during 1937-39 was \$5.80 per proof gallon; the average foreign values of the imports from Argentina, Mexico, and Cuba, the principal sources in 1943, were for that year \$4.39, \$3.15, and \$1.76 per proof gallon, respectively.

Cordials and liqueurs appear likely to be in special demand until the supply of high-grade aged whiskey again becomes adequate, which, according to present indications, will not be until 1949 or 1950. Therefore, in the next few years, even if imports reach prewar levels, domestic producers of cordials and liqueurs may still be able to maintain their present high level of production. However, after the shortage of mature whiskey is over, the consumption of cordials and liqueurs is likely to decrease, and the decline may be largely in the lower and medium grades of domestic and imported products.

It should be noted that the present duty on cordials and liqueurs of \$2.50 per gallon is very much less than the present Internal Revenue tax (which applies both to the imported as well as the domestic product) of \$9.00 per gallon, and even much less than the tax of \$6.00 per gallon which will go into effect later on if existing legislation remains unchanged.

OTHER BEVERAGE SPIRITS: COMPOUNDS CONTAINING SPIRITS

Stat. import class (1939): 1718.3

a. United States production, exports, and imports, 1937-39 and 1943

Year	Production	Domestic exports ^{1/}	Imports for consumption from—				
			All countries	Denmark	Poland and Danzig	SOVIET UNION	UNITED KINGDOM
Quantity (proof gallons)							
1937	Not available ^{2/}	1,279	22,788	2,631	3,005	1,050	131
1938		766	14,741	2,180	3,628	836	114
1939		n.a.	3/15,898	3,031	2,592	863	5
1943		n.a.	4/423,386	120	2,957	266	—
Value (dollars)							
1937	Not available ^{2/}	7,046	54,373	6,076	9,851	2,704	647
1938		3,635	34,011	5,152	10,818	2,173	46
1939		n.a.	3/39,080	6,791	6,728	2,728	33
1943		n.a.	4/1,029,919	473	5,602	1,008	—

^{1/} Includes cordials, liqueurs, and bitters. ^{2/} Believed to be negligible.^{3/} In 1939 Sweden ranked third.^{4/} Includes 361,843 proof gallons, valued at \$947,756, imported from Mexico.

Source: Official statistics of the U. S. Department of Commerce.

Item	United States tariff			Proposed negotiating country	
	Act of 1930	1945			
		rate	Per proof gallon		
Par. 802					
Compounds containing spirits —	\$5.00	—	—	UNITED KINGDOM	
Arrack —	—	\$5.00	—	SOVIET UNION	
Compounds containing spirits, n.s.p.f. —	—	1/ 2.50	—	do.	

^{1/} Trade agreement with Mexico, effective January 1943.

Note.— The duty on total imports at the \$5.00 rate was equivalent to 211 percent ad valorem in 1937 and to 241 percent in 1939; the duty on total full-duty imports at the \$2.50 rate was equivalent to 175 percent ad valorem in 1944.

Comment

Prior to World War II the small quantities of beverage spirits imported under this classification consisted mostly of specialties such as vodka, a Russian beverage distilled from wheat or potatoes; tequila, a Mexican beverage distilled from the cultivated tequila, or Maguey, cactus; aquavit, a Scandinavian beverage distilled from either grain or potatoes and flavored with caraway or anise seed; and arrack, an aromatic Javanese rum prepared from molasses. During the war, however, when domestic distillers could not produce spirits for beverage purposes, imports increased greatly, amounting to 1,121,000 proof gallons, valued at \$4,152,000 in 1944. Most of these increased supplies were from Mexico, and consisted of distilled spirits called gin, but, since they did not conform to the United States Treasury Department's requirements for gin, they were assessed for duty as "compounds containing spirits." When more nearly normal conditions of domestic production return, it is expected that imports will be much smaller, and that they will again, as before the war, consist mostly of specialties. In fact, in 1945 imports amounted to only 80,000 proof gallons.

OTHER BEVERAGE SPIRITS: COMPOUNDS CONTAINING SPIRITS--Continued

Small quantities of vodka have been produced in the United States. It appears unlikely, however, that there will be any substantial production in this country of the kinds of distilled spirits covered in this classification.

OTHER BEVERAGE SPIRITS: BITTERS (BITTERS OF ALL KINDS CONTAINING SPIRITS)

Stat. import class (1939): 1718.4

United States production, exports, and imports, 1937-39 and 1943

Year	Production ¹	Domestic exports ²	Imports for consumption from--				
			All countries	FRANCE	Germany ³	Italy	UNITED KINGDOM
Quantity (proof gallon)							
1937			8,292	2,768	1,287	2,190	1,451
1938	Not available	Not available	7,755	3,338	2,313	1,016	641
1939			4/ 10,217	4,220	1,544	2,482	781
1943			4/ 62,268	-	-	170	156
Value (dollars)							
1937			31,892	9,532	7,121	7,155	5,419
1938	Not available	Not available	28,851	10,600	10,336	3,095	3,089
1939			36,469	13,765	7,976	6,719	2,702
1943			4/343,783	-	-	299	616

^{1/} Probably less than imports since 1941 (see text). ^{2/} Probably negligible.^{3/} Includes Austria beginning 1938.^{4/} Includes 60,271 proof gallons valued at \$336,927 imported from TRINIDAD and TOBAGO; imports from this source negligible in the other years shown.

Source: Official statistics of the U. S. Department of Commerce.

Item	United States tariff		Proposed negotiating country
	Act of 1930	1945 rate	
	Per proof gallon		
Par. 802 Bitters of all kinds, containing spirits	\$5.00	1/ \$2.50	FRANCE, UNITED KINGDOM

Par. 802

Bitters of all kinds, containing spirits

\$5.00

1/ \$2.50

FRANCE,

UNITED

KINGDOM

^{1/} Rate reduced in trade agreement with the United Kingdom, effective January 1939, and bound in the trade agreement with Argentina, effective November 1941.

Note.- The ad valorem equivalent of the \$5 rate was 134 percent for 1938; that of the \$2.50 rate was 84 percent for 1939, and 45 percent for 1943.

Comment

Bitters consist essentially of a spirit base into which bitter and aromatic principles derived from plant parts--roots, bark, stems, leaves, flowers, seed, or fruits--have been incorporated by infusion or distillation, or both. Many of them are prepared according to secret formulas. They are used principally as flavoring agents, mainly in medicines and beverages; most kinds are purported to possess properties stimulating to the appetite and digestion. One of the best-known is Angostura bitters, prepared in Trinidad from a formula originated by a German, Dr. Seigert. Another well-known brand is Abbot's Bitters, which has been manufactured in Baltimore by the Abbot family since 1865. These brands, which are usually about 90 proof, are used principally in cocktails and other mixed drinks. Orange bitters, an important kind, are manufactured in the United Kingdom from the dried peel of the bitter Seville orange.

OTHER BEVERAGE SPIRITS: BITTERS (BITTERS OF ALL KINDS CONTAINING SPIRITS)--Continued

The imports of bitters began to increase sharply in 1941, and during the past 3 years (1943-45) they have exceeded 60,000 proof gallons annually, as compared with an average of about 9,000 proof gallons during 1937-39. Nearly all of this increase came from Trinidad, British West Indies, and, it is believed, consisted of Angostura bitters. Formerly the Angostura-Wuppermann Corporation, sales agency and licensee for Angostura bitters, had a manufacturing plant in the Virgin Islands, and shipments from the Virgin Islands to the United States averaged approximately 25,000 proof gallons annually during 1938-41. In May 1941 the Angostura-Wuppermann Corporation closed its Virgin Island plant. Since then shipments from the Virgin Islands have ceased and imports from Trinidad have increased sharply. The quantity of bitters produced in the United States is not known, but since the closing of the Virgin Island plant mentioned it probably is less than the imports.

All bitters manufactured in the United States--including the Virgin Islands--must be produced with tax-paid spirits, and beverage bitters, i.e., "fit for beverage" in their existing state, are subject also to the rectifying tax of 30 cents a proof gallon. However, domestic producers may obtain a partial refund of the internal revenue tax on the spirits used, provided they submit the necessary records, and the formula, to the Bureau of Internal Revenue. Since April 1, 1944, the internal revenue tax on spirits has been \$9, and the refund \$6, leaving a net charge of \$3 a proof gallon. Under present law these figures are to revert, 6 months after the official declaration of the end of the war, to their former status, which was \$6, gross tax, \$3.75 refund, and \$2.25 net charge.

It has long been held by the Bureau of Internal Revenue that the internal revenue tax imposed on "distilled spirits" does not apply to preparations containing distilled spirits but which are unfit for beverage purposes. Imported bitters generally have been classed by the Bureau as "unfit for beverage" in their existing state (even though the bitters are used in minute quantities for flavoring beverages). Consequently, imported bitters are not subject to the tax, but only to the duty \$2.50 per proof gallon. At the present time the duty is less than the net tax to domestic producers on the spirit content of their products; when the tax and refund revert to their former status the duty will be 25 cents a proof gallon more than the net tax to domestic producers. Domestic producers will then have a protection of 25 cents a proof gallon--provided the duty is not reduced below the present rate.

OTHER BEVERAGE SPIRITS: ETHYL ALCOHOL FOR BEVERAGES
(Neutral spirits for beverage, including distilled spirits used in blended whisky)

Stat. import class (1939): 1718.5

United States production, exports, and imports, 1937-39 and 1943

Year	Production ^{1/}	Domestic exports	Imports for consumption from--			
			All countries	Philippine Islands ^{2/}	UNITED KINGDOM	Cuba
Quantity (1,000 proof gallons)						
1937 ----	30,752	Not available	173	173	-	-
1938 ----	28,189	Not available	46	46	0	-
1939 ----	30,153	Not available	14	14	N	-
1943 ----	26,155		1,565	-	E	1,545
Value (1,000 dollars)						
1937 ----	Not available	Not available	25	25	N	-
1938 ----			7	7	0	-
1939 ----			2	2	N	-
1943 ----			1,341	-	E	1,289

^{1/} Domestic ethyl alcohol used in the rectification (production) of distilled liquors, principally whisky, in continental United States.

^{2/} Duty-free.

Source: Production compiled from Allied Liquor Industries, Inc., "Beverage Distilling Industries Facts and Figures, 1934-44," p. 24; imports from official statistics of the U. S. Department of Commerce.

Item	United States tariff		Proposed negotiating country
	Act of 1930	1945 rate	
Per proof gallon			

Par. 802

Ethyl alcohol for beverages:

Product of Cuba -----	\$4.00	^{1/} \$2.00
Other -----	5.00	^{1/} 2.50

UNITED KINGDOM

^{1/} Trade agreement with Mexico, effective January 1943.

Note.- In 1943 the duty on full-duty imports (20,638 proof gallons which were valued at \$51,396 and came chiefly from Mexico) was equivalent to 100 percent ad valorem, and the duty on imports from Cuba was equivalent to 239 percent ad valorem.

Comment

Ethyl alcohol is a spirit distilled at 190 proof or above. If it is of sufficient purity it may be used in the production, by rectification, of potable beverages. When so used it is commonly known as neutral spirits, a term synonymous with "ethyl alcohol for beverage." All alcohol, both imported and domestic, withdrawn for beverage purposes is subject to the internal revenue tax, which at present is \$9 per proof gallon.

The best available index of domestic "production" of neutral spirits for beverage uses is the quantity used in rectification for beverages; normally a considerable part of the neutral spirits produced is subsequently diverted to nonbeverage uses. The quantities used in rectification, most of which go into blended whisky and gin, averaged approximately 30 million proof gallons annually during the calendar years 1937-39 and thereafter began to increase, reaching

OTHER BEVERAGE SPIRITS: ETHYL ALCOHOL FOR BEVERAGES-Continued

45 million gallons in 1942. Because, however, of shortage incident to the Government's industrial alcohol program, the quantity so used in 1943 was only 26 million proof gallons. In 1944 it increased to 41 million. It appears probable that such use will continue to be high during the next few years because of the need to "stretch" the limited supplies of mature whisky. Current shortages of grains for distilling may cause the distillation of relatively less whisky and relatively more neutral spirits; if it becomes sufficiently acute it may even limit the quantities of spirits distilled.

The \$5 rate of duty imposed by the Tariff Act of 1922 and continued in the act of 1930 was prohibitive during peacetime; the only imports which entered before the war were those duty-free from the Philippines. The large imports in 1943, 1944 (10.3 million proof gallons), and 1945 (6.2 million proof gallons) were nearly all from Cuba. They were made possible by the reduction in the duty to \$2.50 per proof gallon (\$2 to Cuba) in January 1943, and the unusually high prices occasioned by the shortages of distilled spirits of all kinds in the United States. Whereas the average foreign value of the small quantities imported from the Philippines during 1937-39 was only 15 cents per proof gallon, the foreign value of the total imports was 86 cents per proof gallon in 1943, \$1.19 in 1944, and 84 cents in 1945.

SPARKLING WINES
(Champagne and all other sparkling wines)

Stat. import class (1939): 1731.0

United States production, exports, and imports, 1937-39 and 1943

Year	Production 1/	Domestic exports 2/	Imports for consumption from—			
			All countries	FRANCE	Argentina	
Quantity (1,000 gallons)						
1937	361	3/	577	553	—	
1938	317	3/	483	465	3/	
1939	419	3/	560	538	3/	
1943	1,363	15	84	35	27	
Value (1,000 dollars)						
1937	Not available	Not available	3,239	3,141	—	
1938			2,323	2,244	3/	
1939			2,526	2,446	1	
1943			406	182	128	

1/ Tax-paid withdrawals plus tax-free withdrawals for export, or for use in the United States, years beginning July 1 of the year shown.

2/ Tax-free withdrawals for export, years beginning July 1 of the year shown.

3/ Less than 500.

Source: Production and exports from the U. S. Treasury Department; imports from official statistics of the U. S. Department of Commerce.

Item	United States tariff			Proposed negotiating country	
	Act of 1930	1945 rate			
		Per gallon			

Par. 803.

Champagne and all other sparkling wines

\$6 1/ \$3

FRANCE

1/ Reduced to \$3 per gallon in the trade agreement with France, effective June 1936, and the \$3 per gallon rate was bound in the trade agreement with Argentina, effective November 1941.

Note.— The duty on the imports of sparkling wines was equivalent to 66 percent ad valorem in 1939 and to 62 percent in 1943.

Comment

"Sparkling wine" is so called because it contains carbon dioxide gas which causes the wine to effervesce. The gas is incorporated in the wine by a "secondary fermentation," induced by the introduction of sugar and yeast into the basic still wine, within the tightly-corked bottle ("bottle process") or within a tightly-closed tank ("bulk process"). The gas may also be added by charging the wine with carbon dioxide as in the manufacture of soda water (carbonated wine). Champagne, the best-known and most important of the sparkling wines, is a white wine produced by the bottle process; other famous wines produced by this method are the French sparkling Burgundy, and the German sparkling Rhine and Moselle wines. Under United States laws only bottle process sparkling wine may be labeled "champagne"; bulk-process sparkling wine must be labeled "champagne type," "champagne style," or "champagne bulk process"; while the third class must be labeled "carbonated wine."

SPARKLING WINES-Continued

The bottle-process wines are traditionally of high quality, as well as high in cost of production and in price. In their production high-grade basic wines are used, and the process requires a large amount of hand labor and a considerable period of time, as well as great care, skill, and patience. In the production of bulk-process wines more and larger-scale equipment, and less labor and time, are required; production costs are somewhat lower than with bottle-process wines. Carbonated wine is the lowest of the three classes in production cost and in price. The sparkling wines which have been imported have consisted principally of bottle-process wines, and nearly all of them have consisted of champagne; some imports from Argentina have been bulk-process wines.

Under the Tariff Act of 1897 sparkling wine was dutiable at an average of about \$2.75 per gallon, and reciprocal commercial agreements were negotiated under this act with France, Germany, Italy, and other countries under the terms of which those countries were given rates 25 percent lower than the full-duty rates. Imports of sparkling wines from 1901 to 1910 averaged nearly a million gallons annually. In the acts of 1909 and 1913 the rates on sparkling wine were 20 percent higher than the full-duty rates in the act of 1897, and during the period 1911-17 imports averaged about a half-million gallons annually. The rate of \$6 per gallon imposed in the act of 1922 during the prohibition period was retained in the act of 1930 until the date of the French agreement, June 1936. In 1934 and 1935, the first 2 years after repeal, imports were 392,000 and 274,000 gallons, respectively. Under the \$3 rate imports averaged 540,000 gallons during the prewar years 1937-39. The average foreign value of the imports, which had been \$7.50 per gallon under the \$6 duty, declined under the \$3 rate to \$5.60 in 1937 and to \$4.50 in 1939.

It was not until imports were almost shut off in World War II that domestic production equalled imports. In the fiscal year 1939-40 the gross output of bottle-process wine in the United States was approximately double that of the preceding year; and in the following war years the gross output of bulk-process wine increased fifteenfold. The gross output in the fiscal year 1943-44 was 916,000 gallons of bottle-process wine, 490,000 gallons of bulk-process, and 104,000 gallons of carbonated wines. Most of the domestic output is produced in the Finger Lakes area of New York and in California. New York leads in the output of "champagne" and of all types of sparkling wines combined, but California produced in 1943-44 more than twice as much bulk-process wine as did New York.

Champagne is a luxury product and its consumption, which is associated mostly with special or festive occasions, tends to vary with the national per capita income. In France champagne production is an important industry, prewar production there amounting to 6 to 8 million gallons annually, of which about 3 million gallons were exported. The United States was second only to the United Kingdom as a market for French sparkling wines, the popularity of which in this country was such that they commanded prices from 50 to 75 percent higher than those of most domestic bottle-process sparkling wines.

Stat. import classes (1939): 1732.11 and 1732.12

United States production, exports, and imports, 1937-39 and 1943

Year	Production ^{1/}	Domestic exports ^{1/}	Imports for consumption from—			
			All countries	Italy	FRANCE	Argentina
Quantity (1,000 gallons)						
1937 —	243	2/	1,215	826	383	—
1938 —	220	1	1,152	781	367	—
1939 —	217	1	1,400	910	484	—
1943 —	2,115	41	529	9	5	450
Value (1,000 dollars)						
1937 —	Not avail-	Not avail-	2,128	1,400	719	—
1938 —	able	able	1,907	1,289	612	—
1939 —			1,922	1,155	760	—
1943 —			1,008	11	7	876

1/ Fiscal years ended June 30 of the year shown.

2/ Less than 500 gallons.

Source: Production and exports (withdrawals for export) from official statistics of the Commissioner of Internal Revenue; imports from official statistics of the U. S. Department of Commerce.

Item	United States tariff			Proposed negotiating country	
	<u>Act of</u> <u>1930</u>	<u>1945</u>	<u>Per gallon</u>		
		<u>rate</u>			
Par. 804					
Vermouth, in containers holding 1 gallon or less	\$1.25	1/ \$0.625		FRANCE	
Vermouth, in containers holding each more than 1 gallon	\$1.25	\$1.25		do.	
1/ Trade agreements with France, effective June 1936 and with Argentina, effective November 1941.					

Note.— The average ad valorem equivalent of the duties was 45 percent in 1939 and 33 percent in 1943. In effect these were the equivalents of the \$0.62 $\frac{1}{2}$ rate, as the imports in containers holding more than 1 gallon have been negligible.

Comments

Vermouth is a blended still wine of the dessert type, flavored with aromatics, and usually containing about 19 percent alcohol. It is used in the United States principally as an ingredient of mixed drinks. Consumption increased sharply during the war; it averaged 1.4 million gallons during the calendar years 1937-39, was 3 million gallons in 1943, and 3.5 million in 1944.

Before June 1936 United States production of vermouth was permitted only in rectifying plants, subject to a tax on the wine withdrawn for vermouth production, and a tax on the finished vermouth as wine, plus a rectifying tax of 30 cents per proof gallon. Since that time production in wineries has been permitted, subject only to the wine tax, and while production by rectifying plants has almost ceased, production in wineries increased from 165,000 gallons in the fiscal year 1936-37 to 3.4 million gallons in 1944-45. The increase in domestic production was considerably more than the decline in imports. California produces more than one-half of the present domestic output, and New York most of the remainder.

VERMUTH (VERMOUTH)-Continued

Before World War II nearly all of the vermouth consumed in the United States was either Italian or French, both of which have a well-established reputation for excellence of quality. During the war the much smaller quantities imported came largely from Argentina, where vermouth was made by branch plants of Italian companies. The retail prices of French and Italian vermouth were 75 to 100 percent higher than those of domestic brands; and at the present time Argentine vermouth is considerably higher in price than the domestic.

The lower cost of domestic vermouth per unit of alcohol content, relative to distilled beverages--which is due mostly to the much lower internal revenue taxes--tends to increase the proportion of vermouth used in mixed drinks. The supplies of mature distilled beverages in the United States will continue to be limited for several years, and the consumption of vermouth probably will be relatively high during this period.

Imports of vermouth will doubtless increase substantially over the low level of 1943, even if there is no decrease in duty. In fact, imports in 1944, when French and Italian vermouths were still unavailable, were 50 percent higher than in 1943. Total imports may even be larger than before the war. When the high-grade vermouth of Europe again becomes available it may be expected to resume its dominant position in imports, although the Argentine product may hold a part of its wartime United States trade. At the same time domestic vermouths, which have been improving in quality, may be expected to retain a much larger share of the United States market than they held before the war.

The present duty on vermouth in bottles, 62½ cents per gallon, is lower than the rate on any other class of wine; the rate on table wine in bottles is 75 cents per gallon, and that on dessert wine, other than vermouth, remains as fixed during prohibition at \$1.25 per gallon.

Vermuth: United States imports for consumption by size of container, by principal sources, 1939

Size of container	Total value	Principal sources
One gallon or less	\$1,900,453	Italy, \$1,142,331; FRANCE, \$753,370
More than 1 gallon	19,400	Italy, \$12,860; FRANCE, \$6,540

Source: Official statistics of the U. S. Department of Commerce.

Stat. import classes (1939): 1732.61 and 1732.62

United States production, exports, and imports, 1937-39 and 1943

Year	Pro- duction 1/	Domestic exports 2/	Imports for consumption from--				
			All countries	FRANCE	Germany 3/	Italy	Chile
Quantity (1,000 gallons)							
1937	15,541	Not avail- able	1,006	467	167	308	9
1938	35,892		907	459	118	281	3
1939	22,075		4/ 1,028	557	123	298	5
1943	27,828		4/ 400	35	8	12	73
Value (1,000 dollars)							
1937	Not avail- able	Not avail- able	2,455	1,263	697	370	14
1938			1,939	1,042	484	323	5
1939			2,171	1,209	500	355	10
1943			4/ 825	116	35	31	160

1/ Fiscal year ended June 30 of years shown.

2/ The exports of table and dessert wine together amounted in 1942 to 766 thousand gallons, valued at 614 thousand dollars, the highest since repeal of prohibition.

3/ Includes Austria beginning 1938.

4/ Includes 99 thousand gallons valued at 135 thousand dollars free as an act of international courtesy from FRENCH MOROCCO; also dutiable imports amounting to 57 thousand gallons, valued at 103 thousand dollars from Portugal. Includes 57 thousand gallons valued at 106 thousand dollars imported from Argentina, negligible in other years shown.

Source: Production - Wine Institute, Ninth Annual Wine Industry Survey, Part III, November 28, 1945, p. 6; exports and imports from official statistics of the U. S. Department of Commerce.

Item	United States tariff		Proposed negotiating country
	Act of 1930	1945 rate	
Par. 804			
Still wines produced from grapes containing not over 14 percent alcohol by volume:			
In containers holding 1 gallon or less	1.25 gal.	\$0.75 per gal. ^{1/}	FRANCE
In containers holding more than 1 gallon	1.25 gal.	\$1.25 gal.	do.

1/ Trade agreements with France, effective June 1936, and with Argentina, effective November 1941.

Note.- The ad valorem equivalent of the duty on total imports in 1939, consisting almost entirely of wine dutiable at \$0.75 per gallon, was 38 percent in 1939.

Comment

The tariff classes here considered cover still wines produced from grapes, except vermouth, containing not more than 14 percent alcohol. Such wines are commonly known as table wines, although they are also called "natural," "light," and "dry" (nonsweet) wines. In the process of fermentation wine rarely forms more than 14 percent alcohol; the higher alcoholic content of dessert wines, such as port and sherry, results from the addition of high-proof grape spirits to naturally-fermented wine.

TABLE WINE-Continued

The consumption of wine in the United States has always been low in comparison with that of the large wine consuming countries of Europe. For the most part, table wine falls in the class of luxury products in the United States and its consumption is comparatively sensitive to changes in the level of consumer income and in prices. Since repeal of National Prohibition, the consumption of commercial table wine has been relatively low, even for the United States. To a very large extent this condition has resulted from the comparatively high price of this wine to the ultimate consumer. Paradoxically, the United States probably produces good standard wines as cheaply as any country in the world. The relatively high cost to consumers results from the fact that virtually all commercial wine is sold in bottles, principally bottles holding one-fifth gallon. Before the war the cost of bottles, cases, and the labor of bottling wines was twice as great as the cost or price of the wine itself. Throughout most of the country, moreover, State and local regulations require wines to be sold in small containers and prohibit the reuse of bottles. Primarily because of the comparatively high price to consumers, the large production of noncommercial wines which developed during prohibition continued after repeal until the shipment of fresh grapes was reduced during the war. From 1934 to 1940 the noncommercial production exceeded, in most years by substantial amounts, commercial production of table wines.

Imported table wines have been substantially less in volume and have represented a smaller proportion of total consumption since repeal than before prohibition. Statistics of imports for the earlier period do not show separately the total imports of table wines (as distinguished from dessert wines), but it is estimated that they averaged about 4 million gallons annually during 1910-14. During 1937-39 they averaged slightly less than 1 million gallons annually. The difference in value of imports between the two periods was materially less, however, because of the much larger proportion of low-priced wines imported in bulk during the earlier period; in 1910-14 imports approximated 4 million dollars annually whereas in 1937-39 the value averaged 2 million dollars annually. Very little table wine has been imported in bulk since repeal. As stated above, the retail sale of bulk wine, both imported and domestic, is sharply restricted. Moreover, the duty on wine in bulk has continued at the rate imposed during the prohibition period (\$1.25 per gallon). The rate on imports in bottles, however, was reduced in the French Trade Agreement, effective June 1936, to 75 cents per gallon, which was about the same as the rate on bottled wines before prohibition. The effect upon imports of this reduction was obscured by the unsettled conditions of domestic consumption and production which prevailed during the post-repeal years.

In California where from two-thirds to three-fourths of all the domestic output of table wine is produced, soil and climate combine to produce high yields of grapes with few crop failures. There the large size of the vineyards permits the use of mechanized, labor-saving methods of cultivation. Characteristically, the winery units are large and equipped to apply the most improved modern methods in the various processes of production and bottling. In addition, large-scale efficient methods of transportation have been developed. Consequently, the producers of standard wines in the United States had, before the war, developed a strong competitive position as compared with foreign producers who, in general, follow older wine-making techniques.

In the production of special quality or fine wines, mass production methods are not suitable. Special care must be exercised throughout the productive processes from selection of the soil and varieties of grapes to the aging of the finished product. Production of such wines is necessarily more costly than that of standard wines. As in the production of all wines, California is the leading producer of those of special quality, but New York and Ohio are also important. Although total grape production in the United States was so great as to cause a succession of surpluses at the time of repeal, fine wine varieties of grapes were rare. Because of a number of factors, moreover, the development of fine wine production was much slower than that of total production. At the outbreak of World War II, a few producers had developed wines of special quality and, with imports from the famous regions in Europe cut off, they were able to gain acceptance of their products more rapidly than they might have otherwise. In the last year or two there has been a material increase in the plantings of good wine varieties of grapes.

At the present time the entire wine industry is in a substantially better position to meet foreign competition than it was before the war. Its products have become better known to domestic consumers; the industry has enjoyed a number of years of large profits during the war and has been able to effect a needed strengthening of its capital structure; and the entrance of the Big Four Distillers into the production and distribution of wines has brought additional large resources into a substantial segment of the industry.

As the domestic wine industry became more fully established before the war, imports tended more and more to be high-priced, quality wines, although sporadic entries of distress wines or special imports for sale as less-leaders continued to take full advantage of the prestige of their foreign label. To a large extent the latter type of imports will be reduced only as domestic consumers become better acquainted with wines and more discriminating in their purchases. During the war, when imports from France, Germany, and Italy were cut off, and the demand in this country was great, imports from Chile, Argentina and other sources increased. (See table below.) As trade resumes more nearly normal conditions, however, the old, well known producers of quality wines may be expected to be the leading sources of imports.

As indicated above, imports of table wine in bulk have been negligible and they are likely to continue to be of minor importance irrespective of the duty so long as it is the almost universal practice of the States to prohibit bulk sales at retail. This prohibition necessitates the bottling of wine, the cost of which makes the retail price higher than American consumers will pay for the ordinary grade of table wine that would be imported in bulk. But even if bulk sales at retail were permitted, a maximum reduction in the present duty (from \$1.25 to \$0.625 per gallon) would probably not result in the importation of any appreciable quantity of wine in bulk because the duty would still be too high to enable foreign producers to compete to any great extent in the United States market.

Value of imports for consumption by size of container, with principal sources, 1939 and 1943

Size of container	Total	Principal sources
	value	
One gallon or less:	:	:
1939 -----	\$2,168,911	FRANCE, \$1,207,910; Germany, ^{1/} \$500,360;
	:	Italy, \$355,282
1943 -----	688,520	Chile, \$160,111; FRANCE, \$116,457; Argentina,
	:	\$105,730
More than 1 gallon:	:	
1939 -----	1,889	FRANCE, \$916; Union of South Africa, \$903
1943 -----	135,991	FRENCH MOROCCO, ^{2/} \$134,071; Portugal, \$1,920
	:	

^{1/} Includes Austria.

^{2/} Duty-free as act of international courtesy.

Source: Official statistics of the U. S. Department of Commerce.

GINGER WINE

Stat. import classes (1939): 1732.91 and 1732.92

United States production, exports, and imports, 1937-39 and 1943

Year	Production	Domestic exports	Imports for consumption from--				
			All countries	CHINA	Japan	Sweden	Denmark
Quantity (gallons)							
1937	None	None	1/ 3,138	2,504	23	60	39
1938	or	or	3,435	2,109	-	288	685
1939	negli-	negli-	3,924	2,328	767	456	255
1943	gible	gible	2/ 3,729	18	-	-	-
Value (dollars)							
1937	None	None	1/ 3,499	2,233	35	150	64
1938	or	or	5,691	2,475	-	688	1,828
1939	negli-	negli-	5,175	2,348	1,312	781	544
1943	gible	gible	2/ 6,334	23	-	-	-

1/ Includes 507 gallons valued at \$1,004 imported from Poland and Danzig.

2/ Includes 3,642 gallons valued at \$6,143 imported from Mexico.

Source: Official statistics of the U. S. Department of Commerce.

Item	United States tariff			Proposed negotiating country
	Act of 1930		1945 rate	
	Per gallon			
Par. 804				
Still wine, 1/ including ginger wine or ginger cordial-----	\$1.25	\$1.25		CHINA
1/ Other than rice wine or sake, and still wines (including vermouth) produced from grapes.				

Note.- The ad valorem equivalent of the duty has varied considerably; it was 113 percent in 1937, 75 percent in 1938, 95 percent in 1939, and 74 percent in 1943.

Comment

The wine included in this classification consists mostly of ginger wine. Ginger wine is made by adding brandy to ginger beer, a fermented, effervescent beverage compounded of sugar, yeast, ginger, and water. Ginger cordial, properly so called, would not be classifiable in this group, as it would contain more than 24 percent of alcohol, and hence be dutiable as spirits.

Imports, which averaged 3,500 gallons during 1937-41 (imports were not separately classified prior to June 15, 1936), fell to 525 gallons in 1942. In 1944 they amounted to 1,054 gallons.

There is no commercial production of ginger wine in the United States.

MALT LIQUORS

(Beer, stout, ale, etc., (1) in bottles, (2) in other containers)

Stat. import classes (1939): 177.80, 177.82

United States production, exports, and imports, 1937-39 and 1943

Year	Production ^{1/}	Domestic exports	Imports for consumption from--				
			All countries	Eire	Netherlands	UNITED KINGDOM	Germany ^{2/}
Quantity (1,000 barrels of 31 gallons)							
1937	56,221	27	83	7	7	10	26
1938	51,844	24	68	7	7	6	19
1939	53,190	23	64	8	12	6	15
1943	73,593	84	3/ 118	13	-	2	-
Value (1,000 dollars)							
1937	Not available	521	2,157	406	185	505	508
1938		466	1,730	359	200	287	386
1939		446	3/ 1,658	391	322	287	259
1943		1,586	3/ 3,558	660	-	105	-

^{1/} Total withdrawals, tax-paid and tax-free, calendar years.^{2/} Includes Austria beginning 1938.^{3/} Includes 16 thousand barrels, valued at 278 thousand dollars, free as an act of international courtesy, principally from Canada, also dutiable imports amounting to 59 thousand barrels, valued at 1,892 thousand dollars, were imported from Mexico and 27 thousand barrels, valued at 607 thousand dollars, from Canada.

Source: Production from Alcohol Tax Unit, Bureau of Internal Revenue, U. S. Treasury Department; exports and imports from official statistics of the U. S. Department of Commerce.

Item	United States tariff				Proposed negotiating country	
	Per gallon		Per barrel			
	Act of 1930	1945 rate	Act of 1930	1945 rate		
Par. 805						
Ale, porter, stout, beer	\$1.00	1/ \$0.25	\$31.00	1/ \$7.75	UNITED KINGDOM	

1/ Rate reduced to 50 cents per gallon (\$15.50 per barrel) under section 336 of the Tariff Act of 1930, effective February 1935, and to 25 cents per gallon (\$7.75 per barrel) in trade agreement with Mexico, effective January 1943.

Note.— The ad valorem equivalent of the duty has no significance by reason of the fact that imported malt liquors are not subject to the internal revenue tax; see text.

Comment

The United States is the world's largest producer of fermented malt liquors. In this country the industry is on a large scale and is highly mechanized. During the calendar years 1937-39 United States production (withdrawals) averaged somewhat less than 55 million barrels (of 31 gallons) annually. During the war, despite many restrictions and regulations, production increased, and in 1945 was 82 million barrels, much the largest quantity ever produced. Production centers in areas of large population. New York is the largest and Pennsylvania and Wisconsin the second and third producing States; these three States produce nearly 40 percent of the United States total. Other large producing States are Ohio, Missouri, California, Illinois, New Jersey, and Michigan.

MALT LIQUORS-Continued

For the most part beer production and distribution is a localized industry. Beer is bulky, and the costs of bottles, bottling, and delivery are high relative to the cost of manufacturing (more than 60 percent of the beer marketed is sold in bottles). Many breweries have their own marketing and delivery service; only a few of the larger producing concerns have a nation-wide distribution.

Compared with domestic production, imports of malt liquors have always been very small. In the immediate prewar years they constituted about one-fifth of 1 percent of the consumption. At that time imports consisted largely of specialties, including well-known brands of ale, porter, and stout from England and the United Kingdom and well-known brands of beer from Germany, Czechoslovakia, and the Netherlands. All the imported malt beverages from the countries mentioned commanded considerably higher prices in the United States than even the highest grades of domestic beer. There were in the prewar period very small imports of ordinary-type beer from Japan, Mexico, and Canada.

During and since the war the imports of beer have been much larger than in the prewar years. Imports in 1944 were 259,000 barrels and in 1945 they were 303,000 barrels. Even so, they amounted to less than one-half of 1 percent of the total consumption of the country. These imports have come chiefly from Mexico and Canada and have consisted chiefly of ordinary-type beer. The imports from Mexico have usually been consumed close to the border; though small, they comprise a significant proportion of the consumption in that area.

United States exports of beer have always been very small. In the immediate prewar period they were on the average equal to about one-third of the imports, in quantity, but about one-fourth in value. During the war exports increased considerably but were still much smaller than imports. Prewar exports went largely to the Philippine Islands and the Canal Zone, with smaller quantities to numerous other destinations.

Unlike distilled liquors, imported beer is not subject to the internal revenue tax, and whatever protection is afforded to domestic producers by the duty is to be measured by the difference between the duty and the internal revenue tax. The following table compares the internal revenue tax and the duty in effect at the end of year since the repeal of prohibition, during which a change occurred in either the tax or the duty.

As of :	Dollars per barrel			Cents per gallon		
December 31	Duty	Internal revenue tax	Margin of protection	Duty	Internal revenue tax	Margin of protection
1934 -----:	31.00	5.00	26.00	100	16.1	83.9
1935 -----:	15.50	5.00	10.50	50	16.1	33.9
1940 -----:	15.50	6.00	9.50	50	19.4	30.6
1942 -----:	15.50	7.00	8.50	50	22.6	27.4
1943 -----:	7.75	7.00	.75	25	22.6	2.4
1944 -----:	7.75	8.00	-.25	25	25.8	-.8

The present duty, under the 1943 agreement with Mexico, is one-half that fixed under section 336, and one-fourth of the rate provided by the Tariff Act of 1930, which, however, was fixed during the prohibition period and had therefore little significance. The present rate is somewhat less than the internal revenue tax, so that the protection to the domestic brewers is negative. Under present law the internal revenue tax is to be reduced to \$7 per barrel 6 months after the termination of the war is officially proclaimed (not yet proclaimed, November 1946); the present duty would exceed that rate of tax by 75 cents per barrel.

MALT LIQUORS-Continued

Value of United States imports for consumption by class of container and principal sources, 1939 and 1943

Type of container	:	Total	:	Principal sources
	:	value	:	
Beer, etc., in bottles:	:	:	:	
1939	-----:	\$1,369,481	: Eire, \$391,373; UNITED KINGDOM, \$286,620;	
	:		: Netherlands, \$224,279.	
1943	-----:	3,557,563	: Mexico, \$1,891,131; Canada, \$884,888;	
	:		: Eire, \$659,816	
Beer in other containers:	:	:	:	
1939	-----:	288,562	: Germany, ^{1/} \$164,821; Netherlands, \$97,974	
1943	-----:	845	: Mexico, \$845	
	:			

1/ Includes Austria.

Source: Official statistics of the U. S. Department of Commerce.

Stat. import classes (1939): 177.71, 177.73, 177.79, 177.83, 177.89

United States production, exports, and imports, 1937-39 and 1943

Year	Production	Domestic exports	Imports for consumption from--			
			All countries	Sweden	Germany 1/	UNITED KINGDOM
Quantity (gallons 2/)						
1937 ---	Not available 3/	Not available 4/	8	-	8	N
1938 ---			20	-	20	O
1939 ---			44	30	11	N
1943 ---			2	-	-	E
Value (dollars)						
1937 ---	Not available 3/	Not available 4/	29	-	29	N
1938 ---			44	-	44	O
1939 ---			71	36	35	N
1943 ---			2	-	-	E

1/ Includes Austria beginning 1938.

2/ Quantity of malt extract, solid or condensed, converted from pounds at 11 pounds to the gallon.

3/ Small, but much larger than imports; see text.

4/ Probably negligible.

Source: Official statistics of the U. S. Department of Commerce.

Item	United States tariff		Proposed negotiating country
	Act of 1930	1945 rate	
Par. 805			
Fluid malt extracts -----	\$1 gal.	\$1 gal.	UNITED KINGDOM
Malt extract, solid or condensed -----	60% ad val.	60% ad val.	do.

Note.-- The duty on the very small imports in 1939 of "fluid malt extracts for use in baking, manufacturing, etc." was equivalent to 83 percent ad valorem; the duty on imports in 1939 of fluid malt extract for other uses was equivalent to 31 percent ad valorem.

Comment

This classification includes fluid malt, malt syrup, malt extract, and condensed malt extract, which represent different concentrations of malt extract, a product obtained by the maceration and digestion of malt, usually barley malt, followed by filtration and concentration. These products are used in baking and in the preparation of miscellaneous food and medicinal products, as well as in brewing. They are produced to only a limited extent in the United States but production greatly exceeds imports. In 1939, 50 million pounds of malt extract, valued at 3 million dollars, was used in United States bakeries.

Imports of the commodities here under consideration have been negligible.

MALT PRODUCTS (OTHER THAN MALT LIQUORS)-Continued

Malt products other than malt liquors: United States imports for consumption, by kind, with principal sources, 1939

Kind	Value	Principal source
Fluid malt extract, etc., for baking, etc. -;	\$36	Sweden, \$36
Fluid malt extract, etc., for other purposes -;	35	Germany, <u>1/</u> \$35
Condensed malt extract, for baking, etc. ---;	-	:
Condensed malt extract, for other purposes -;	-	:
	:	:

1/ Includes Austria.

Source: Official statistics of the U. S. Department of Commerce.

Stat. import classes (1939): 177.00-177.29

United States production, exports, and imports, 1937-39 and 1943

Year	Production	Domestic exports ^{1/}	Imports ^{2/} for consumption from--			
			All countries	BRITISH W. INDIES ^{3/}	UNITED KINGDOM	NETHERLANDS
Quantity (1,000 gallons)						
1937 ----	37,561	2,627	33	25	5	N
1938 ----	46,000	2,952	38	29	9	O
1939 ----	55,436	3,813	31	26	1	N
1943 ----	162,000	4/ 7,209	5/ 97	30	-	E
Value (1,000 dollars)						
1937 ----	Not available	1,813	11	6	4	N
1938 ----		1,898	13	7	5	O
1939 ----		1,823	9	7	2	N
1943 ----		4/ 15,273	5/ 58	12	-	E

^{1/} Statistics represent all fruit juices; citrus juices are believed to account for the bulk of United States exports of such juices.

^{2/} Mostly unconcentrated lime juice containing less than one-half percent alcohol.

^{3/} Other than Bermuda, Barbados, Jamaica, Trinidad, and Tobago.

^{4/} Includes 4,814 thousand gallons valued at 13,537 thousand dollars exported under lend-lease.

^{5/} Includes 52 thousand gallons valued at 39 thousand dollars imported from Mexico.

Source: Production from the U. S. Department of Agriculture and Western Canner and Packer, Yearbook numbers; exports and imports from official statistics of the U. S. Department of Commerce.

Par.	Item	United States tariff		Proposed negotiating country
		Act of 1930	1945 rate	
		Cents per gallon of equiv. unconcentrated juice		
806 (b)	Citrus fruit juices, concentrated, fit for beverage purposes:			
	Lime -----	70	1/ 35	UNITED KINGDOM
	Naranjilla -----	70	2/ 35	do.
	Other -----	70	70	do.

806 (a)

Citrus fruit juices, unconcentrated, not specially provided for:

Containing less than one-half percent alcohol:

Naranjilla ----- 70 1/2/ 35
Other ----- 70 1/ 35

Containing one-half percent or more alcohol ----- 3/ 70 3/ 70

^{1/} Trade agreement with the United Kingdom, effective January 1939.

^{2/} Trade agreement with Ecuador, effective October 1938.

^{3/} The alcohol content is dutiable at \$5 per proof gallon additional, and is reported under class 1800.0, paragraph 8C7.

Note.- The duty on the total imports of all citrus fruit juices (unconcentrated lime juice containing less than one-half percent of alcohol made up the bulk of the total) was equivalent to 118 percent ad valorem in 1939 and to 59 percent in 1943. For the ad valorem equivalent of the duties on the several kinds of juices see table at end of digest.

CITRUS FRUIT JUICES, FOR BEVERAGE PURPOSES-Continued

Comment

The imports under consideration include concentrated and unconcentrated citrus fruit juices. Imports of the unconcentrated juices are subdivided into two groups, "containing less than one-half percent alcohol," and "containing one-half percent or more alcohol." Apparently, however, the imported juices rarely contain alcohol; with the exception of 39 gallons of lime juice imported from France in 1935, no citrus juices containing alcohol have been reported. Citrus fruit juices are generally consumed straight as a breakfast or soda-fountain drink, as well as in large quantities as flavors for soft drinks and a large number of other products.

The manufacture of citrus fruit juices is now one of the more important United States food industries. A substantial part of the United States output of citrus fruits is marketed in the form of juice, which is not only nonperishable but requires much less space for transportation and storage than the fruit itself. Some fruit not suitable for marketing as such may be utilized for juice as a means of salvage. The total United States production, which had been increasing fairly rapidly during the immediate prewar years, rose sharply during the war. The 1943-44 output of approximately 162 million gallons (single strength basis) was more than three times as much as the prewar average. This great increase in production represented, in substantial part, the output of orange and lemon concentrates for the account of the Government, most of whose purchases were for export, largely to the United Kingdom. The output of single-strength juices increased greatly also. The production of grapefruit juice normally has been nearly double that of orange juice, except in 1944-45 when the total production of about 179 million gallons was made up of about 75 million gallons of grapefruit juice, about 76 million gallons of orange, about 1 million lemon, and about 27 million gallons of orange-grapefruit blend.

Of single-strength juices the principal producing centers are: Grapefruit, Florida and Texas; orange, Florida and California; orange-grapefruit blend, Florida; and lemon, California. In the production of citrus concentrates, California is the principal State and Florida second.

Compared with domestic production or with exports, imports of citrus juices have been very small. The exports have consisted mostly of the concentrates; imports of concentrates have been negligible. Normally unconcentrated lime juice has been the only item imported to any substantial extent. (The comparatively large imports of orange juice--valued at \$37,000--in 1943 from Mexico represented an abnormal situation.) The United States production of limes is quite small. The imports of lime juice ranged from \$9,000 to \$40,000 per year during the period 1931 to 1944, and came from the British West Indies and the United Kingdom, those from the United Kingdom originating in the British West Indies.

The duties on grapefruit, orange, and lemon juices, which have not been reduced, are high, and the imports hitherto have been insignificant.

The duty on unconcentrated lime juice, the principal factor in imports, was reduced by 50 percent in the trade agreement with the United Kingdom, effective January 1, 1939, but the imports did not increase in 1939 and 1940. That fact may have been due in part to war conditions, and it is possible that in the post-war period the imports at the reduced rate may be greater than they would be if the rate of the 1930 act were still in effect.

CITRUS FRUIT JUICES, FOR BEVERAGE PURPOSES-Continued

Citrus juices: United States imports for consumption, by classes and principal sources, 1939 and 1943

Kind	:Ad valorem: Total :		Principal sources of imports
	:equivalent: value :	: of the : of : duty : imports:	
	<u>1939</u>	<u>: Percent</u>	
Citrus fruit juices, concentrated:			
Naranjilla, fit for beverage purposes -----:	79	\$32	Ecuador, \$32
Citrus fruit juices, unconcentrated:			
Containing less than one-half percent alcohol:			
Naranjilla juice, n.s.p.f. :	79	408	Ecuador, \$408
Lemon juice -----:	62	107	UNITED KINGDOM, \$86; Italy, \$21
Lime juice -----:	121	8,521	BRIT.W. INDIES, ^{1/} \$6,510
			UNITED KINGDOM, \$1,476
Other -----:	17	23	UNITED KINGDOM, \$23
	<u>1943</u>		
Citrus fruit juices, concentrated:			
Lemon juice -----:	77	2,123	Mexico, \$2,123
Lime juice -----:	104	489	TRINIDAD AND TOBAGO, \$420
Citrus fruit juices, unconcentrated:			
Containing less than one-half percent alcohol:			
Lemon juice -----:	273	78	Italy, \$78
Lime juice -----:	86	16,307	BRIT.W. INDIES, ^{1/} \$12,404
Orange juice -----:	47	38,843	Mexico, \$36,843
Other -----:	30	2,496	Cuba, \$2,460

^{1/} Other than Bermuda, Barbados, Jamaica, and Trinidad and Tobago.

Source: Official statistics of the U. S. Department of Commerce.

CHERRY JUICE, PRUNE JUICE, PRUNE WINE, AND OTHER NONCITRUS
FRUIT JUICES, AND FRUIT SYRUPS, N.S.P.F.

Stat. import classes (1939): 177.30-177.31

United States production, exports, and imports, in specified years, 1937-45

Year	Pro- duction	Domestic exports	Imports for consumption from--				
			All countries	NETHER- LANDS	Eire	UNITED KINGDOM	France
Quantity (gallons)							
1937			8,624	2,196	181	525	1,438
1938	Not avail- able	Not avail- able	9,181	2,158	1,029	2,323	1,029
1939			12,629	2,353	4,493	757	1,148
1941	available (see text)		1/ 184,735	-	17,996	10	225
1943			2/ 24,612	-	6,037	-	33
1944			3/ 48,473	-	7,434	-	-
1945			3/ 12,051	-	1,912	2	-
Value (dollars)							
1937			56,908	42,395	635	2,535	3,528
1938			55,731	38,383	3,151	9,163	1,814
1939	Not avail- able	Not avail- able	61,376	35,929	11,376	6,861	1,950
1941			1/ 814,190	-	54,834	101	740
1943			2/ 43,164	-	20,808	-	124
1944			3/ 217,873	-	28,346	-	-
1945			3/ 63,269	-	8,638	12	-

1/ Includes 2,164,566 gallons valued at \$754,461 imported duty-free from the Philippine Islands.

2/ Includes 9,940 gallons valued at \$13,911 imported from Canada and 6,662 gallons valued at \$6,766 from Cuba, duty less 20 percent.

3/ Includes the following imports from Cuba, duty less 20 percent; 38,817 gallons valued at \$187,175 in 1944, and 5,675 gallons valued at \$50,654 in 1945.

Source: Official statistics of the U. S. Department of Commerce.

Item	United States tariff		Proposed negotiating country
	Act of 1930	1945 rate	
	Cents per gallon		
Par. 806			
Cherry juice, prune juice, prune wine, and other fruit juices and syrups, n.s.p.f.:			
Containing less than 1/2 percent alcohol	70	1/ 35	UNITED KINGDOM, NETHERLANDS
Containing 1/2 percent or more alcohol	2/70	2/70	NETHERLANDS
1/ Trade agreement with the United Kingdom, effective January 1939.			
2/ The alcohol content is dutiable at \$5 per proof gallon additional, and is reported under class 1800.0 (par. 807).			
Note.— The duty on the imports under the 35-cent per gallon rate in 1939 was equivalent to 9 percent ad valorem. The duty on the imports under the 70-cent per gallon rate in 1939 was equivalent to 13 percent ad valorem.			

CHERRY JUICE, PRUNE JUICE, PRUNE WINE, AND OTHER NONCITRUS FRUIT JUICES,
AND FRUIT SIRUPS, N.S.P.F.-Continued

Classification
Comment

This classification, "cherry juice, prune juice, prune wine, and other fruit juices and sirups, n.s.p.f.," covers all classes of fruit juices except citrus and grape products. (In the United States the term "fruit syrup" is generally reserved for fruit juices to which has been added 50 percent or more of cane sugar, and which contain at least 33-1/3 percent of pure fruit juice. Juices to which less than 50 percent of cane sugar has been added are known as "sweetened juice.") Imports of these products are classified in two groups, those containing less than 1/2 percent alcohol, and those containing 1/2 percent or more of alcohol.

The commercial production in the United States of fruit juices and sirups included in this group, which now greatly exceeds imports, began about 1925. Apple juice, or sweet cider, usually sold in gallon jugs, came on the market first, but the commercial packing of flash-pasteurized apple juice did not begin until 1937. Pineapple juice, now by far the most important in the group, began to become important in the early 1930's. The production of prune juice, berry and cherry juices, and certain pulpy fruit juices usually called nectars--from apricots, peaches, pears, plums, prunes, and nectarines developed somewhat later. The production of some of these articles, particularly prune and apple juice, increased greatly during World War II.

Statistics of domestic production of these commodities are somewhat fragmentary, and probably are incomplete. No data are available upon the production of fruit sirups and sweet fruit juices. The United States Department of Agriculture has estimated the annual production of pineapple juice, prune juice, apple juice, and fruit "nectars" 1935-39, to total about 9 million cases or (allowing 3.3 gallons to the case) approximately 30 million gallons--about 24 million gallons of pineapple juice, about 1.5 million gallons each of prune and apple juice, and about 2.5 million gallons of "nectars." The corresponding figures for 1943 are 12 million cases, or roughly 40 million gallons--about 27 million gallons of pineapple juice, about 6 million gallons of prune juice, about 5.5 million gallons of apple juice, and about 1 million gallons of nectars.

Practically all of the domestic pineapple juice is produced in Hawaii, largely from parts of pineapples which are not salable as canned fruit. Canned or bottled apple juice normally is produced principally in New York, the Pacific northwest, West Virginia, Ohio, and certain Rocky Mountain States. The berry juices are preserved principally in the Pacific northwest and California; cherry juice principally in Wisconsin; and the nectars and prune juice principally in California and Oregon.

Imports of juices containing less than 1/2 percent of alcohol have usually averaged around \$20,000 annually, but have varied from as high as \$759,000 in 1941 to as low as \$3,500 in 1942. In 1944 they were valued at \$190,000, and in 1945 at \$52,000. Whereas before World War II the imports of this class came largely from the United Kingdom and the Netherlands, the very high imports in 1941 came almost entirely from the Philippines (free of duty), while the high imports in 1944 and 1945 came almost exclusively from Cuba.

Imports of the juices containing 1/2 percent or more of alcohol have usually been somewhat more important, as measured by total value, than imports of the nonalcohol group, and they have not fluctuated so widely from one year to another. They have usually ranged from \$30,000 to \$40,000 annually, the extreme range during the 15-year period 1931-45 being from \$6,000 in 1940 to \$56,000 in 1941. During World War II Eire supplanted the Netherlands as the principal source.

The kind or quality of the imports, as indicated by unit values, varies greatly between countries and from year to year. Usually the imports which contain less than 1/2 percent alcohol have been the lower in unit value. The prewar foreign value of this class ranged from about 3 to 4 dollars per gallon. The average prewar foreign value of the imports which contained 1/2 percent or

CHERRY JUICE, PRUNE JUICE, PRUNE WINE, AND OTHER NONCITRUS FRUIT JUICES,
AND FRUIT SIRUPS, N.S.P.F.-Continued

more of alcohol declined from \$14 per gallon in 1937 to \$5 per gallon in 1939; the imports from the Netherlands were valued much higher than those from other countries. The imports in 1942 and 1943 from Eire, practically the only source in those years, were valued at only approximately \$3.50 per gallon.

The quantity of alcohol contained in these products is not reported separately, but with the alcohol content of other fruit products imported under other tariff paragraphs, (see report on par. 807).

Value of United States imports for consumption, by classes and principal sources, 1939 and 1943

Class	:	Total	:	Principal sources
	:	value	:	
Cherry juice, etc., containing less than 1/2 percent alcohol:	:	:	:	
1939	-----	\$20,448	:	NETHERLANDS, \$8,394; UNITED KINGDOM, \$6,861
1943	-----	21,928	:	Canada, \$13,607; Cuba, \$6,766
Cherry juice, etc., containing 1/2 percent or more alcohol:	:	:	:	
1939	-----	40,928	:	NETHERLANDS, \$27,535; Eire, \$11,376
1943	-----	21,236	:	Eire, \$20,808
			:	

Source: Official statistics of the U. S. Department of Commerce.

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GRAPE JUICE, GRAPE SIRUP, AND SIMILAR
GRAPE PRODUCTS

Par. No. 806(a)
UNITED KINGDOM

Stat. import classes (1939): 177.44-177.45

United States production, exports, and imports, 1937-39 and 1943

Year	Production	Domestic exports	Imports for consumption from--			
			All countries	Rumania	Germany 1/	UNITED KINGDOM
Quantity (gallons)						
1937 --	Not available (see text)	Not available 2/	44	-	26	-
1938 --			348	-	26	5
1939 --			207	100	28	-
1943 --			3/ 24	-	-	-
Value (dollars)						
1937 --	Not available (see text)	Not available 2/	101	-	70	-
1938 --			324	-	101	10
1939 --			472	200	141	-
1943 --			3/ 18	-	-	-

1/ Includes Austria beginning 1938.

2/ In 1939 exports of fruit juices other than pineapple, orange, and grapefruit (probably mostly grape juice) amounted to 407 thousand gallons valued at 374 thousand dollars.

3/ Includes 20 gallons, valued at \$16, imported from Mexico.

Source: Official statistics of the U. S. Department of Commerce.

Item	United States tariff		Proposed negotiating country
	Act of 1930	1945 rate	
	Cents per gallon		
Par. 806(a)			
Grape juice, grape sirup, and other similar products of the grape:			
Containing or capable of producing less than 1 percent of alcohol	70	70	UNITED KINGDOM,
Containing or capable of producing 1 percent or more of alcohol	1/70	1/ 70	do.

1/ The alcohol contained therein or that can be produced therefrom is dutiable at \$5 per proof gallon additional, and is reported in class 1800.0, par. 807.

Note.— The duty on total imports was equivalent to 26 percent ad valorem in 1939.

Comment

Imports of "grape juice, grape sirup, and similar grape products" are provided for under two classifications, those containing, or capable of producing, less than 1 percent alcohol, and those containing, or capable of producing, more than 1 percent alcohol. These two classifications were set up in the Tariff Act of 1922 and continued in the act of 1930. The unique provision of assessing a duty on a product on the basis of the potential quantity of another product which can be produced from it was apparently inserted for the purpose of prohibiting the importation of grape products for making wine during national prohibition. In any event, the result has been that imports have been practically excluded. In 1931, imports with a total foreign value of \$3,097 were reported. The largest imports in any year since 1931 were in 1944, when they amounted to \$562. The duty, 70 cents per gallon plus \$5 per proof gallon on the alcohol which "can be produced" from the products, is apparently prohibitive. The potential alcohol content, by weight, of grape products is approximately one-half (48.6 percent) of

GRAPE JUICE, GRAPE SYRUP, AND SIMILAR GRAPE PRODUCTS-Continued

the sugar content, calculated on the basis of invert sugar (Treasury Decision 42533). Consequently the potential "proof" of a grape product would be approximately the same as the percentage of invert sugar contained; and a gallon of grape sirup containing 50 percent of invert sugar would be dutiable at 70 cents, plus approximately \$2.50 (one-half of the duty on a 100-proof gallon) on account of its potential alcohol content, or \$3.20.

In the United States the commercial production of grape juice developed earlier than that of any other fruit juice. The production of single-strength juice increased from about 7 million gallons in 1937-38 to about 11 million in 1939-40, and this latter level of production was maintained, with the exception of a slight drop in 1942-43, until 1944-45, when the output was only about 6 million gallons. Data on the production of concentrated grape must (for the use of wineries) and of grape sirup are not available.

Concord grapes are the principal variety used for grape juice. New York and Ohio are the outstanding States in the production of commercial juice. Grape sirup is produced in these States, also, and concentrated must for the use of wineries is produced in Georgia and California.

ALCOHOL CONTENT OF PREPARED FRUITS

Stat. import class (1939): 1800.0

United States production, exports, and imports, 1937-39 and 1943

Year	Production	Domestic exports	Imports ^{1/} for consumption from--			
			All countries	Eire	France	Netherlands
Quantity (proof gallons).						
1937	Not available ^{2/}	Not available ^{2/}	550	60	281	199
1938			878	339	313	223
1939			2,027	1,419	327	218
1943			1,923	1,910	1,212	-

^{1/} Value not reported separately but included with the value of the fruit.^{2/} Believed to be negligible, if any.

Source: Official statistics of the U. S. Department of Commerce.

Item	United States tariff		Proposed negotiating country
	Act of 1920	1945 rate	
Per proof gallon on alcoholic content, in addition to duty on fruits			

Par. 807

Berries and fruits of all kinds, prepared or preserved in any manner, containing one-half of 1 percent or more of alcohol:

Product of Cuba -----	4	^{1/} \$2.50
Other than Cuban product -----	5	5.00

FRANCE

^{1/} Trade agreement with Cuba, effective September 1934.Comment

Par. 807 provides a duty on the alcohol content of prepared or preserved fruits in addition to the duty on the fruits as such, irrespective of the paragraph under which the fruit enters. In the Tariff Act of 1922 the \$5 additional duty on the alcohol content of prepared fruits or berries was assessed only on the alcohol content of those containing 5 percent or more of alcohol. In the Tariff Act of 1913 the corresponding rate was \$2.50 on only the alcohol in excess of 10 percent.

The alcohol reported in classification No. 1800.0 represents the alcohol content of fruits the imports of which are reported under several paragraphs of schedule 7 as well as under paragraph 806. In 1935 and subsequent years imports of such alcohol have been reported in quantity only. The quantities reported have been small, the highest of record being 6,105 proof gallons in 1941.

There is no record of any domestic production of prepared fruits containing one-half percent or more alcohol, but such production is believed to be negligible.

It is believed that most of the imported fruit products containing alcohol have such a small proportion of alcohol as to make its extraction or separation impracticable. In any event, there appears to be no need for a higher duty on spirits in this form, i.e., combined with fruit products, than on distilled beverages imported as such. The \$5 rate is double the present trade agreement rates on distilled beverages of non-Cuban origin. The \$2.50 per proof gallon rate on the alcohol content of Cuban fruits is 50 cents higher than the rate on distilled beverages imported as such from Cuba.

SOFT DRINKS

Stat. import classes (1939): 1750.0 and 177.60

United States production, exports, and imports, 1937-39 and 1943

Year	Production ^{1/}	Domestic exports ^{2/}	Imports for consumption from--			
			All countries	UNITED KINGDOM	Denmark	Other countries
Quantity (1,000 gallons)						
1937 --	544,196	250	122	43	75	1
1938 --	617,661	143	128	49	75	1
1939 --	724,494	90	101	51	47	1
1943 --	1,160,703	124	3/ 6	-	-	1
Value (1,000 dollars)						
1937 --	278,616	176	125	49	73	1
1938 --	311,713	84	135	59	73	1
1939 --	361,691	70	107	57	45	1
1943 --	580,351	98	3/ 5	-	-	1

^{1/} Estimates from the trade; consists of bottled goods only. The soda-fountain trade is estimated at 25 percent additional.

^{2/} Classified as "Other beverages" (includes sodawater, ginger ale, sparkling water, quinine tonic, and other beverages). Does not include exports of "sirups and flavors for beverages," the value of which ranged between about 1 million and 4.5 million dollars annually during the 6-year period 1939-44.

^{3/} Includes 4 thousand gallons valued at 4 thousand dollars imported from Mexico, and 2 thousand gallons valued at 1 thousand dollars imported from Canada.

Source: Estimated production from Association of American Bottlers of Carbonated Beverages, Washington, D. C.; exports and imports from official statistics of the U. S. Department of Commerce.

Item	United States tariff		Proposed negotiating country
	Act of 1930	1945 rate	
		Cents per gallon	

Par. 808

Ginger ale, ginger beer, lemonade, soda water, and similar beverages, containing no alcohol, and beverages containing less than one-half of 1 per centum of alcohol,

n.s.p.f. 15 1/10 UNITED KINGDOM

^{1/} Trade agreement with the United Kingdom, effective January 1939.

Note.— The 10 cent rate of duty on total full-duty imports in 1939 was equivalent to 10 percent ad valorem.

Comment

The estimated consumption of soft drinks in the United States at the present time is more than a billion gallons. This is double the consumption in 1937. Nearly all of these beverages are carbonated, and virtually none of them contain any alcohol. The so-called kola drinks make up from two-thirds to three-fourths of the total, orange drinks about 6 percent, lemon-lime drinks about 5 percent, root beer about 4 percent, ginger ale (including that used in mixing drinks) about 4 percent, and grape drinks about 3 percent.

SOFT DRINKS--Continued

The United States soft drink industry is composed of a comparatively few companies, some of which are large, which supply the basic sirups or concentrates, and thousands of licensed local, independently-owned bottlers and soda fountains throughout the land. Approximately 80 percent of the sirup is sold for use in making bottled beverages and 20 percent for mixing and dispensing at soda fountains. The bottlers bottle and deliver the products within their closely defined territories, to the more than a million local distributors--drug stores, grocery stores, delicatessens, lunch rooms, gasoline stations, etc. Both the production of the sirups and the mixing and packaging of the beverages are characterized by the general use of automatic machinery.

Compared with domestic production, imports have been very small. They have consisted mostly of specialties, which have been sold at substantially higher prices than domestic soft drinks. The imports of "ginger ale or ginger beer" were mostly ginger beer, known as "stone ginger" because it is packed in a "stone" jar or bottle. This is a popular drink in England and some of the British Commonwealth nations. It is a fermented product, and ordinarily contains a small amount--up to about 1.5 percent--of alcohol, of which the excess over one-half percent must be removed if the product is to be exported to the United States under the soft-drink duty. Some high-grade ginger ale was also imported before the war, which, like the ginger beer, came mostly from the United Kingdom.

After 1936 the imports of "lemonade, soda water, etc." came mostly from Denmark and the United Kingdom. An analysis of imports made in 1934 showed that practically all of the imports from Denmark consisted of a special kind of fermented malt beverage, and entered the Puerto Rico Customs District. Another import analysis made in 1937 indicated that the principal items imported under this classification were "soda water" and "Indian quinine water."

Soft drinks, as such, are not well adapted to long-distance shipments, since the weight of the bottles is high relative to the value of the product. As the domestic industry is organized for the shipment of the concentrate, with local bottling and delivery, and provision for the return of the empty bottles for refilling, marketing costs are considerably lower on domestic than on imported products. Only high-priced specialties can bear the much higher transportation and marketing costs to which the imported goods are subject. The demand for such high-priced specialties in this country is limited.

Value of United States imports for consumption, by kinds, with principal sources, 1939

Kind	Total value	Principal sources
Ginger ale or ginger beer containing less than one-half of 1 percent alcohol	\$14,392	UNITED KINGDOM, \$14,392
Lemonade, soda water, and similar beverages containing less than one-half of 1 percent alcohol	92,251	Denmark, \$45,369; UNITED KINGDOM, \$42,975

Source: Official statistics of the U. S. Department of Commerce.

Stat. import class (1939): 1760.0

United States production, exports, and imports, 1937-39 and 1943

Year	Production	Domestic exports	Imports for consumption from--				
			All countries	FRANCE	Germany 1/	Italy	United Kingdom
Quantity (1,000 gallons)							
1937	Not avail-	90	409	231	91	54	10
1938	able	92	301	182	71	26	6
1939		98	373	233	78	38	9
1943	(see text)	20	2/ 6	-	-	-	-
Value (1,000 dollars)							
1937	Not avail-	77	324	187	90	20	12
1938	able	74	215	119	70	10	6
1939		71	247	136	77	15	10
1943	(see text)	20	2/ 5	-	-	-	-

1/ Includes Austria beginning 1938. 2/ Principally from Mexico.

Source: Official statistics of the U. S. Department of Commerce.

Item	United States tariff		Proposed negotiating country
	Act of 1930	1945 rate	
		Cents per gallon	

Par. 809

All mineral waters and all imitations
of natural mineral waters, and all
artificial mineral waters not spe-
cially provided for ----- 10 10

FRANCE

Note.- The duty on total imports in 1939 was equivalent to 15 percent ad valorem.

Comment

The consumption of mineral waters in the United States has been on the decline for several decades; popular faith in the beneficial effects of the so-called medicinal waters has apparently decreased, and the use of table waters has declined because of the great improvement in the purity of public water supplies and the increasing use of other beverages such as milk, coffee, fruit and vegetable juices, and soft drinks. Formerly the consumption of mineral water in this country was substantial. During the first 15 years of the present century imports amounted to a million dollars or more annually, and as late as the first half of the 1920's the sales of domestic waters approximated 5 million dollars annually, not including the quantities used in soft drinks and furnished to guests of hotels, resorts, and sanitariums. Most of the imports consisted of medicinal waters, and most of the domestic output of table waters.

Although no statistics are available, estimates from trade sources indicate that domestic production and sales have continued to decline since about 1926. Imports amounted to a million gallons valued at a half-million dollars in 1929 but steadily declined thereafter, even before the war substantially closed the foreign sources of supply. United States exports which were 256,000 gallons valued at \$192,000 in 1926, amounted in 1944 to 2,500 gallons, valued at \$1,700.

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